

Interim Condensed Consolidated Financial Statements

**Supremex Inc.**

Unaudited

For the three and nine-month periods ended September 30, 2024 and 2023

**NOTICE**

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

**Supremex Inc.**

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at		September 30, 2024	December 31, 2023
[Unaudited] [in thousands of Canadian dollars]	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		3,193	1,066
Accounts receivable		35,364	33,640
Income taxes recoverable		3,335	2,506
Inventories	5	30,886	33,423
Assets held for sale	6	9,034	—
Prepaid expenses		2,835	1,858
<b>Total current assets</b>		<b>84,647</b>	<b>72,493</b>
Derivative financial instruments		—	185
Property, plant and equipment	4 & 7	37,510	51,559
Right-of-use assets		41,836	30,116
Accrued pension benefit net assets		10,196	11,471
Intangible assets		32,998	38,226
Goodwill	4 & 7	39,028	59,707
<b>Total assets</b>		<b>246,215</b>	<b>263,757</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		30,850	26,494
Restructuring provisions	8	2,404	582
Current portion of contingent consideration payable		—	114
Current portion of lease liabilities		4,977	4,328
Current portion of long-term debt	9	253	245
<b>Total current liabilities</b>		<b>38,484</b>	<b>31,763</b>
Contingent consideration payable		—	237
Long-term debt	9	49,208	56,265
Deferred income tax liabilities		8,003	11,608
Lease liabilities		40,443	28,413
Other long-term liabilities		268	754
Derivative financial instruments		223	—
<b>Total liabilities</b>		<b>136,629</b>	<b>129,040</b>
<b>Total equity</b>		<b>109,586</b>	<b>134,717</b>
<b>Total liabilities and equity</b>		<b>246,215</b>	<b>263,757</b>

Subsequent event [note 13]

See accompanying notes

On behalf of the Directors:

By: *signed (Robert B. Johnston)*  
Director

By: *signed (Steven P. Richardson)*  
Director

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

[Unaudited] [in thousands of Canadian dollars, except per share amounts and number of common shares]	Notes	Three-month periods ended September 30		Nine-month periods ended September 30	
		2024 \$	2023 \$	2024 \$	2023 \$
<b>Revenue</b>		<b>69,355</b>	69,798	<b>211,960</b>	229,886
Operating expenses	5	<b>50,575</b>	49,651	<b>153,092</b>	159,876
Selling, general and administrative expenses		<b>10,834</b>	7,213	<b>31,495</b>	29,053
<b>Operating earnings before depreciation, amortization and other items</b>		<b>7,946</b>	12,934	<b>27,373</b>	40,957
Depreciation of property, plant and equipment		<b>1,755</b>	1,839	<b>5,118</b>	5,108
Depreciation of right-of-use assets		<b>1,575</b>	1,361	<b>4,407</b>	4,087
Amortization of intangible assets		<b>1,777</b>	1,666	<b>5,202</b>	4,636
Asset impairment	7	<b>23,337</b>	—	<b>23,412</b>	—
Restructuring expenses	8	<b>2,064</b>	147	<b>2,125</b>	402
Loss (gain) on disposal of property, plant and equipment		<b>7</b>	(243)	<b>10</b>	(282)
<b>Operating (loss) earnings</b>		<b>(22,569)</b>	8,164	<b>(12,901)</b>	27,006
Net financing charges	9	<b>1,270</b>	1,348	<b>3,678</b>	4,326
<b>(Loss) earnings before income taxes</b>		<b>(23,839)</b>	6,816	<b>(16,579)</b>	22,680
Income tax (recovery) expense		<b>(801)</b>	1,815	<b>983</b>	6,070
<b>Net (loss) earnings</b>		<b>(23,038)</b>	5,001	<b>(17,562)</b>	16,610
<b>Basic and diluted net (loss) earnings per share</b>		<b>(0.92)</b>	0.19	<b>(0.70)</b>	0.64
<b>Weighted average number of shares outstanding</b>		<b>24,673,144</b>	25,881,701	<b>25,061,407</b>	25,943,717

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited] [in thousands of Canadian dollars]	Three-month periods ended September 30		Nine-month periods ended September 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
<b>Net (loss) earnings</b>	<b>(23,038)</b>	<b>5,001</b>	<b>(17,562)</b>	<b>16,610</b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified to earnings in subsequent periods</i>				
Unrealized (loss) gain on derivative financial instruments, net of income tax recovery of \$133 and \$105 [2023 – expense of \$62 and \$245]	<b>(381)</b>	178	<b>(302)</b>	702
Foreign currency translation adjustments	<b>(258)</b>	447	<b>414</b>	15
Net other comprehensive income to be reclassified to earnings in subsequent periods	<b>(639)</b>	625	<b>112</b>	717
<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 \$13 and \$74 [2023 – recovery of \$56 and of \$26]	<b>(38)</b>	(160)	<b>(213)</b>	(74)
Recognized actuarial (loss) gain on other post-retirement benefit, net of income tax recovery of \$1 and \$0 [2023 – expense of \$2 and \$2]	<b>(2)</b>	5	—	4
Net other comprehensive loss not to be reclassified to earnings in subsequent periods	<b>(40)</b>	(155)	<b>(213)</b>	(70)
Other comprehensive (loss) income	<b>679</b>	470	<b>(101)</b>	647
<b>Total comprehensive (loss) income</b>	<b>(23,717)</b>	<b>5,471</b>	<b>(17,663)</b>	<b>17,257</b>

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine-month periods ended September 30  
 [Unaudited]  
 [in thousands of Canadian dollars]

	Share capital \$	Contributed surplus \$	Deficit \$	Foreign currency translation reserve \$	Total equity \$
<b>As at December 31, 2022</b>	8,867	272,889	(157,972)	534	124,318
Net earnings	—	—	16,610	—	16,610
Other comprehensive (loss) income	—	—	(70)	717	647
Total comprehensive income	—	—	16,540	717	17,257
Dividends declared [note 11]	—	—	(2,722)	—	(2,722)
Shares repurchased and cancelled [note 10]	(55)	(733)	—	—	(788)
<b>As at September 30, 2023</b>	<b>8,812</b>	<b>272,156</b>	<b>(144,154)</b>	<b>1,251</b>	<b>138,065</b>
<b>As at December 31, 2023</b>	8,761	271,589	(145,894)	261	134,717
Net loss	—	—	(17,562)	—	(17,562)
Other comprehensive (loss) income	—	—	(213)	112	(101)
Total comprehensive (loss) earnings	—	—	(17,775)	112	(17,663)
Dividends declared [note 11]	—	—	(2,988)	—	(2,988)
Shares repurchased and cancelled [note 10]	(378)	(4,102)	—	—	(4,480)
<b>As at September 30, 2024</b>	<b>8,383</b>	<b>267,487</b>	<b>(166,657)</b>	<b>373</b>	<b>109,586</b>

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited] [in thousands of Canadian dollars]	Notes	For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2024	2023	2024	2023
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Net (loss) earnings		(23,038)	5,001	(17,562)	16,610
Non-cash adjustments to reconcile net earnings to net cash flows					
Depreciation of property, plant and equipment		1,755	1,839	5,118	5,108
Depreciation of right-of-use assets		1,575	1,361	4,407	4,087
Amortization of intangible assets		1,777	1,666	5,202	4,636
Amortization of deferred financing costs	9	29	53	121	177
Loss (gain) on disposal of property, plant and equipment		7	(243)	10	(282)
Asset impairment		23,337	—	23,412	—
Interest on contingent consideration payable		3	5	9	16
Deferred income tax recovery		(2,106)	333	(3,466)	(312)
Restructuring expenses		(60)	—	(60)	—
Change in accrued pension benefit net assets	8	338	238	989	756
Change in contingent consideration payable		(58)	—	(232)	—
Change in short-term PSU liability		155	—	848	—
Change in DSU liability		254	(886)	150	(570)
Change in other long-term liabilities		57	(139)	(473)	114
		4,025	9,228	18,473	30,340
Variations in working capital accounts					
Variation in accounts receivable		(2,205)	2,612	(1,724)	10,848
Variation in income taxes recoverable or payable		(159)	(2,230)	(829)	(5,229)
Variation in inventories		2,584	2,402	2,775	6,914
Variation in prepaid expenses		(312)	44	(977)	(797)
Variation in accounts payable and accrued liabilities		1,391	(660)	3,360	(13,098)
Variation in restructuring provisions	8	2,249	147	1,822	122
Change in other long-term liabilities		(5)	(5)	(14)	(15)
<b>Net cash flows related to operating activities</b>		<b>7,568</b>	<b>11,538</b>	<b>22,886</b>	<b>29,085</b>
<b>INVESTING ACTIVITIES</b>					
Business combinations, net of cash acquired	4	(138)	69	(2,528)	(31,568)
Acquisition of property, plant and equipment		(190)	(425)	(1,025)	(5,929)
Acquisition of intangible assets		(10)	(104)	(76)	(143)
Proceeds from disposal of property, plant and equipment	8	1	637	1,237	1,844
<b>Net cash flows related to investing activities</b>		<b>(337)</b>	<b>177</b>	<b>(2,392)</b>	<b>(35,796)</b>
<b>FINANCING ACTIVITIES</b>					
Net change in secured revolving credit facility		(2,153)	(8,972)	(6,965)	13,244
Repayment of term loans		(61)	(88)	(182)	(181)
Repayment of lease liabilities		(1,170)	(1,210)	(3,576)	(3,586)
Receipt of lease incentive		171	—	171	—
Dividends paid	11	(976)	(904)	(2,988)	(2,722)
Deferred financing costs		—	(3)	(23)	(152)
Purchase of share capital for cancellation	10	(1,196)	(478)	(4,480)	(787)
Payment of contingent consideration payable		(88)	—	(138)	(243)
<b>Net cash flows related to financing activities</b>		<b>(5,473)</b>	<b>(11,655)</b>	<b>(18,181)</b>	<b>5,573</b>
Net change in cash during the period		1,758	60	2,313	(1,138)
Net foreign exchange difference		156	(261)	(186)	—
Cash, beginning of period		1,279	992	1,066	1,929
<b>Cash, end of period</b>		<b>3,193</b>	<b>791</b>	<b>3,193</b>	<b>791</b>
<b>Supplemental information<sup>(1)</sup></b>					
Interest paid		1,381	1,542	3,906	4,997
Interest received		34	87	56	105
Income taxes paid		1,503	3,766	5,297	11,405
Income taxes received		22	—	44	—

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

See accompanying notes

## Supremex Inc.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024 and 2023

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

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#### 1. CORPORATE INFORMATION

Supremex Inc. (the “Company” or “Supremex”) was incorporated on March 31, 2006 under the *Canadian Business Corporations Act*. The common shares of the Company are listed on the Toronto Stock Exchange (“TSX”) under the symbol SXP. The Company’s registered office is located at 7213 Cordner Street in LaSalle, 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’ 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 large multinational customers). Only a small portion, primarily the e-commerce offering, is subject to seasonal patterns related to the holidays. As such, there is currently little to no seasonal effect from packaging and specialty products on Supremex’ total revenue.

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of preparation and statement of compliance**

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. They are presented in Canadian dollars, which is the functional currency of the Company, and tabular amounts are rounded to the nearest thousand (\$000) except when otherwise indicated.

The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with IAS 34, Interim Financial Reporting. Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company’s audited consolidated financial statements for the year ended December 31, 2023, prepared in accordance with International Financial Reporting Standards (“IFRS”), except as described below. Accordingly, these unaudited interim condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023.

These unaudited interim condensed consolidated financial statements were approved by the Company’s Board of Directors on November 6, 2024 and have not been audited or reviewed by the Company’s auditors.

##### **Assets held for sale**

Judgment is required in determining whether an asset meets the criteria for classification as “assets held for sale” in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the

## Supremex Inc.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale.

The Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this category as appropriate. In addition, there is a requirement to evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell. Assets held for sale are not depreciated while classified as held for sale.

### 3. SIGNIFICANT JUDGMENT AND ACCOUNTING ESTIMATES

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

The areas involving key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are the same as those set out in the Company's audited consolidated financial statements for the year ended December 31, 2023.

### 4. 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 cash-generating unit ("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.

## Supremex Inc.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### *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.

#### Purchase Price Allocation

As at September 30, 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 \$
<b>Net assets acquired</b>				
Cash	—	550	—	550
Accounts receivable	—	5,448	638	6,086
Inventories	283	3,005	716	3,721
Prepaid expenses	—	235	—	235
<b>Total current assets</b>	<b>283</b>	<b>9,238</b>	<b>1,354</b>	<b>10,592</b>
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
<b>Total assets</b>	<b>2,573</b>	<b>41,133</b>	<b>6,822</b>	<b>47,955</b>
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
<b>Net assets acquired</b>	<b>2,573</b>	<b>26,228</b>	<b>5,845</b>	<b>32,073</b>
Cash acquired	—	550	—	550
<b>Cash consideration</b>	<b>2,573</b>	<b>25,678</b>	<b>5,845</b>	<b>31,523</b>
Total acquisition-related costs	105	445	251	696

## Supremex Inc.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### 5. INVENTORIES

	September 30, 2024	December 31, 2023
	\$	\$
Raw materials	14,562	14,293
Work in progress	1,779	1,910
Finished goods	14,545	17,220
	<b>30,886</b>	<b>33,423</b>

The cost of inventories recognized as an expense and included in operating expenses, including the related depreciation of property, plant and equipment and depreciation of right-of-use assets allocated to inventories, during the three and nine-month periods ended September 30, 2024 are \$50,843 and \$154,412 respectively [2023 – \$50,404 and \$161,335].

#### 6. ASSETS HELD FOR SALE

During the third quarter of 2024, the Company confirmed its intention to proceed with a sale-leaseback transaction involving two owned 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 September 30, 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.

#### 7. ASSET IMPAIRMENT

Impairment indicators were identified during the three-month period ended September 30, 2024 for the Packaging CGU. No indicators of impairment were identified for the Envelope CGU as of September 30, 2024. Accordingly, the Company performed impairment testing for the Packaging CGU which resulted in the recognition of \$23,259 of impairment losses for the three and nine-months ended September 30, 2024. Of these impairment losses \$1,131 were recognized against property, plant and equipment for machinery, \$1,086 against intangible assets comprising of customer relationships, and \$21,042 against goodwill.

The key assumptions used, where the recoverable amount was measured as a CGU's value in use, are those related to revenue growth, operating margins, tax rate and discount rate. In performing the impairment test management used a pre-tax discount rate of 13.3%, a tax rate of 25.9% and a perpetual growth rate of 2.0%. The recoverable amounts for the assets of the Packaging CGU was \$47,514.

Any increase in the discount rate used by the Packaging CGU would result in an additional impairment.

#### 8. RESTRUCTURING 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 \$2,351 in the third quarter of 2024.

## Supremex Inc.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 and costs to relocate machinery and inventory. In the third quarter of 2024, the Company recorded a reversal of the restructuring provision of (\$226).

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 \$955 during 2023.

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

	September 30, 2024	December 31, 2023
	\$	\$
Balance, beginning of year	582	25
Restructuring expenses	2,435	2,272
Reversal of restructuring provision	(250)	—
Remeasurement of lease liability	(60)	—
Impairment of right-of-use assets	—	(604)
Gain on disposal of assets	—	148
Payments	(303)	(1,259)
<b>Balance, end of period</b>	<b>2,404</b>	<b>582</b>

## 9. LONG-TERM DEBT

	September 30, 2024	December 31, 2023
	\$	\$
Secured revolving credit facility	48,665	55,630
Term loans	954	1,136
Total debt	49,619	56,766
Deferred financing costs	(158)	(256)
Current portion	(253)	(245)
<b>Long-term portion</b>	<b>49,208</b>	<b>56,265</b>

### 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, following the approval of a one-year extension in May 2023, and no principal repayments are required prior to maturity. The Company may request that the agreement be extended by one year on every anniversary date. The extension is dependent upon the approval of the lenders. As at September 30, 2024, the amount outstanding on the credit facility was \$48,665.

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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 September 30, 2024.

#### Term loans

The Company has four term loans totaling \$954 as at September 30, 2024, that were assumed following the acquisition of Paragraph [note 4]. The loans bear interest at rates ranging from 4.23% to 4.69% and are repayable in monthly instalments totaling \$24, including capital and interest. The loans mature between March 2026 and July 2028.

#### Other

As at September 30, 2024, the Company had outstanding letters of credit totaling \$241 [\$241 as at December 31, 2023].

The effective interest rate on the secured credit facility was 5.63% as at September 30, 2024 [5.74% as at December 31, 2023].

Net financing charges are as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest on secured credit facility	821	1,130	2,434	3,517
Interest on lease liabilities	560	391	1,470	1,189
Interest income on defined benefit plans obligations	(120)	(181)	(374)	(543)
Other interest (income) expense	(20)	(45)	27	(14)
Amortization of deferred financing costs	29	53	121	177
	1,270	1,348	3,678	4,326

## 10. SHARE CAPITAL

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	(159,600)	(55)
<b>Balance, as at September 30, 2023</b>	<b>25,817,469</b>	<b>8,812</b>
Balance, as at December 31, 2023	25,666,269	8,761
Purchase of share capital for cancellation	(1,106,400)	(378)
<b>Balance, as September 30, 2024</b>	<b>24,559,869</b>	<b>8,383</b>

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.

## Supremex Inc.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024 and 2023

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

During the three and nine-month periods ended September 30, 2024, the Company purchased 295,000 and 1,106,400 common shares [2023 – 102,900 and 159,600] for cancellation in consideration of \$1,196 and \$4,480 [2023 – \$478 and \$787]. The excess of the purchase price over the carrying value in the amount of \$1,096 and \$4,102 [2023 – \$443 and \$733] was recorded as a reduction of contributed surplus.

#### Deferred Share Unit Plan (“DSU”)

The financial liability resulting from the DSU plan of \$2,083 [December 31, 2023 – \$2,268] is presented under “*Accounts payable and accrued liabilities*”.

During the nine-month period ended September 30, 2024, no amount of variable executive compensation was allocated in DSU [2023 – nil] and an amount of \$335 was paid out [2023 – nil]. During the three and nine-month periods ended September 30, 2024, the net compensation expense for the DSU plan amounted to \$253 and \$149 respectively [2023 – recovery of \$886 and \$570] and is recognized under “*Selling, general and administrative expenses*”.

#### Performance Share Unit Plan (“PSU”)

The financial liability resulting from the PSU Plan of \$848 [December 31, 2023 – \$617] is presented under “*Accounts payable and accrued liabilities*” and \$140 [December 31, 2023 – nil] is presented under “*Other long-term liabilities*”.

During the three and nine-month periods ended September 30, 2024, the net compensation expense for the PSU Plan amounted to \$211 and \$371 respectively [2023 – recovery of \$141 and expense of \$109] and is recognized under “*Selling, general and administrative expenses*”.

## 11. DIVIDENDS

Dividends declared from January 1, 2024 to September 30, 2024 were as follows:

<b>Declaration date</b>	<b>Record date</b>	<b>Payment date</b>	<b>Per share \$</b>	<b>Dividend \$</b>
February 21, 2024	March 21, 2024	April 5, 2024	0.04	1,014
May 8, 2024	June 6, 2024	June 21, 2024	0.04	998
August 7, 2024	September 5, 2024	September 20, 2024	0.04	976
<b>Total</b>				<b>2,988</b>

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

<b>Declaration date</b>	<b>Record date</b>	<b>Payment date</b>	<b>Per share \$</b>	<b>Dividend \$</b>
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
<b>Total</b>				<b>2,722</b>

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### 12. SEGMENTED INFORMATION

The Company currently operates in two reporting segments: the manufacturing and sale of envelopes and the manufacturing and sale of paper-based packaging solutions and specialty products. The segmented information is prepared using the accounting policies described in Note 2 – Significant accounting policies in the Company's audited consolidated financial statements for the year ended December 31, 2023, prepared in accordance with IFRS.

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

For the three-month periods ended September 30,

	2024 \$			2023 \$		
	Envelope	Packaging & Specialty Products	Total	Envelope	Packaging & Specialty Products	Total
Revenue	47,475	21,880	69,355	49,292	20,506	69,798
Operating expenses	35,081	15,814	50,895	35,003	15,525	50,528
Selling, general and administrative expenses	4,468	3,582	8,050	4,777	3,267	8,044
<b>Segmented Adjusted EBITDA<sup>(1)</sup></b>	<b>7,926</b>	<b>2,484</b>	<b>10,410</b>	<b>9,512</b>	<b>1,714</b>	<b>11,226</b>
Corporate and other non- allocated expenses (recovery)			2,477			(504)
Depreciation of property, plant and equipment			1,755			1,839
Depreciation of right-of-use assets			1,575			1,361
Amortization of intangible assets			1,777			1,666
COVID-related ERC subsidies <sup>(2)</sup>			—			(1,456)
Asset impairment			23,337			—
Inventory revaluation related to business combinations			—			—
Acquisition costs [note 4]			(6)			9
Restructuring expenses [note 8]			2,064			147
Net financing charges [note 9]			1,270			1,348
<b>Earnings before income taxes</b>			<b>(23,839)</b>			<b>6,816</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Employment Retention Credit ("ERC").

## Supremex Inc.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024 and 2023

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

For the nine-month periods ended September 30,

	2024			2023		
	\$			\$		
	Envelope	Packaging & Specialty Products	Total	Envelope	Packaging & Specialty Products	Total
Revenue	150,367	61,593	211,960	162,994	66,892	229,886
Operating expenses	108,662	45,189	153,851	111,340	49,803	161,143
Selling, general and administrative expenses	14,862	9,988	24,850	15,219	9,865	25,084
<b>Segmented Adjusted EBITDA<sup>(1)</sup></b>	<b>26,843</b>	<b>6,416</b>	<b>33,259</b>	<b>36,435</b>	<b>7,224</b>	<b>43,659</b>
Corporate and other non-allocated expenses			5,845			3,525
Depreciation of property, plant and equipment			5,118			5,108
Depreciation of right-of-use assets			4,407			4,087
Amortization of intangible assets			5,202			4,636
COVID-related ERC subsidies <sup>(2)</sup>			—			(1,456)
Asset impairment			23,412			—
Inventory revaluation related to business combinations			(54)			79
Acquisition costs [note 4]			105			272
Restructuring expenses [note 8]			2,125			402
Net financing charges [note 9]			3,678			4,326
<b>Earnings before income taxes</b>			<b>(16,579)</b>			<b>22,680</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Employment Retention Credit ("ERC").

The Company's non-current assets amounted to \$112,791 in Canada and \$48,777 in the United States as at September 30, 2024 [\$140,935 and \$50,329, respectively, as at December 31, 2023]. The Company's revenue amounted to \$33,451 and \$112,073 in Canada and \$35,904 and \$99,887 in the United States for the three and nine-month periods ended September 30, 2024 based on the customer's locations [2023 — \$38,335 and \$133,025 in Canada and \$31,463 and \$96,861 in the United States].

### 13. SUBSEQUENT EVENT

#### Dividend declaration

On November 6, 2024, the Board of Directors declared a quarterly dividend of \$0.05 per common share, representing a 25% increase over the previous amount, payable on December 20, 2024, to the shareholders of record at the close of business on December 5, 2024. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.