

Interim Condensed Consolidated Financial Statements

Supremex Inc.

For the three-month periods ended March 31, 2025 and 2024

[Unaudited]

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		March 31, 2025	December 31, 2024
[Unaudited]			
[in thousands of Canadian dollars]	Notes	\$	\$
ASSETS			
Current assets			
Cash		2,423	1,794
Accounts receivable		32,454	32,270
Income taxes recoverable		2,943	2,574
Inventories	5	31,273	29,477
Assets held for sale	6	9,034	9,034
Prepaid expenses		2,720	1,939
Total current assets		80,847	77,088
Property, plant and equipment		35,810	37,105
Right-of-use assets		39,791	41,376
Accrued pension benefit net assets		9,022	9,816
Intangible assets		30,423	32,089
Goodwill		39,487	39,494
Total assets		235,380	236,968
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		29,532	25,601
Dividend payable		1,228	—
Restructuring provisions	7	616	683
Current portion of lease liabilities		5,317	4,982
Current portion of long-term debt	8	259	256
Total current liabilities		36,952	31,522
Long-term debt	8	37,585	42,727
Deferred income tax liabilities		6,279	7,128
Lease liabilities		38,842	40,208
Other long-term liabilities		190	187
Derivative financial instruments		317	225
Total liabilities		120,165	121,997
Total equity		115,215	114,971
Total liabilities and equity		235,380	236,968

Subsequent event [note 12]

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

For the three-month periods ended March 31 [Unaudited] [in thousands of Canadian dollars, except per share amounts and number of common shares]	Notes	2025 \$	2024 \$
Revenue		70,228	73,268
Operating expenses	5	50,848	52,460
Selling, general and administrative expenses		10,695	10,318
Operating earnings before depreciation, amortization and other items		8,685	10,490
Depreciation of property, plant and equipment		1,488	1,633
Depreciation of right-of-use assets		1,568	1,354
Amortization of intangible assets		1,682	1,709
Restructuring expenses	7	313	24
(Gain) loss on disposal of property, plant and equipment		(144)	7
Operating earnings		3,778	5,763
Net financing charges	8	1,057	1,114
Earnings before income taxes		2,721	4,649
Income tax expense		801	1,153
Net earnings		1,920	3,496
Basic and diluted net earnings per share		0.08	0.14
Weighted average number of shares outstanding		24,559,869	25,471,574

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31 [Unaudited] [in thousands of Canadian dollars]	2025 \$	2024 \$
Net earnings	1,920	3,496
Other comprehensive (loss) income		
<i>Other comprehensive (loss) income to be reclassified to earnings in subsequent periods</i>		
Unrealized (loss) gain on derivative financial instruments, net of income tax recovery of \$24 [2024 – income tax expense of \$55]	(68)	158
Foreign currency translation adjustments	(18)	470
Net other comprehensive (loss) income to be reclassified to earnings in subsequent periods	(86)	628
<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 \$127 [2024 – income tax recovery of \$108]	(362)	(310)
Recognized actuarial gain on other post-retirement benefit, net of income tax recovery of \$0 [2024 – income tax expense of \$0]	—	2
Net other comprehensive loss not to be reclassified to earnings in subsequent periods	(362)	(308)
Other comprehensive (loss) income	(448)	320
Total comprehensive income	1,472	3,816

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31
[Unaudited]
[in thousands of Canadian dollars]

	Share capital \$	Contributed surplus \$	Deficit \$	Foreign currency translation reserve \$	Total equity \$
As at December 31, 2023	8,761	271,589	(145,894)	261	134,717
Net earnings	—	—	3,496	—	3,496
Other comprehensive (loss) income	—	—	(308)	628	320
Total comprehensive income	—	—	3,188	628	3,816
Dividends declared [note 10]	—	—	(1,014)	—	(1,014)
Shares repurchased and cancelled	(109)	(1,245)	—	—	(1,354)
As at March 31, 2024	8,652	270,344	(143,720)	889	136,165
As at December 31, 2024	8,383	267,487	(162,309)	1,410	114,971
Net earnings	—	—	1,920	—	1,920
Other comprehensive loss	—	—	(362)	(86)	(448)
Total comprehensive income	—	—	1,558	(86)	1,472
Dividends declared [note 10]	—	—	(1,228)	—	(1,228)
Shares repurchased and cancelled	—	—	—	—	—
As at March 31, 2025	8,383	267,487	(161,979)	1,324	115,215

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31

[Unaudited]

[in thousands of Canadian dollars]

	Notes	2025 \$	2024 \$
OPERATING ACTIVITIES			
Net earnings		1,920	3,496
Non-cash adjustments to reconcile net earnings to net cash flows			
Depreciation of property, plant and equipment		1,488	1,633
Depreciation of right-of-use assets		1,568	1,354
Amortization of intangible assets		1,682	1,709
Amortization of deferred financing costs	8	29	53
(Gain) loss on disposal of property, plant and equipment		(144)	7
Interest on contingent consideration payable		—	5
Deferred income tax recovery		(697)	(231)
Restructuring expenses		76	—
Change in accrued pension benefit net assets		304	301
Change in current portion of PSU liability		24	—
Change in DSU liability		103	—
Change in other long-term liabilities		6	(616)
		6,359	7,711
Variations in working capital accounts			
Variation in accounts receivable		(184)	(4,917)
Variation in income taxes recoverable or payable		(369)	(478)
Variation in inventories		(1,796)	(1,674)
Variation in prepaid expenses		(781)	(1,465)
Variation in accounts payable and accrued liabilities		3,807	6,202
Variation in restructuring provisions		(67)	(277)
Change in other long-term liabilities		(4)	(6)
Net cash flows related to operating activities		6,965	5,096
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and right-of-use assets		(293)	(457)
Acquisition of intangible assets		(25)	—
Proceeds from disposal of property, plant and equipment		153	94
Net cash flows related to investing activities		(165)	(363)
FINANCING ACTIVITIES			
Net change in secured revolving credit facility		(5,105)	(1,829)
Repayment of term loans		(63)	(60)
Repayment of lease liabilities		(1,013)	(1,254)
Purchase of share capital for cancellation	9	—	(1,354)
Payment of contingent consideration payable		—	(50)
Net cash flows related to financing activities		(6,181)	(4,547)
Net change in cash during the period		619	186
Net foreign exchange difference		10	(246)
Cash, beginning of period		1,794	1,066
Cash, end of period		2,423	1,006
Supplemental information ⁽¹⁾			
Interest paid		1,021	1,163
Interest received		3	22
Income taxes paid		1,816	1,894
Income taxes received		—	22

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

See accompanying notes

Supremex Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

[Unaudited, 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 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. MATERIAL ACCOUNTING POLICY INFORMATION

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, 2024, prepared in accordance with International Financial Reporting Standards (“IFRS”). Accordingly, these unaudited interim condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2024.

These unaudited interim condensed consolidated financial statements were approved by the Company’s Board of Directors on May 7, 2025 and have not been audited or reviewed by the Company’s auditors.

3. SIGNIFICANT JUDGMENTS 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.

Supremex Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

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

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, 2024.

4. BUSINESS COMBINATIONS

The Company finalized the purchase price allocation for the acquisition of Graf-Pak Inc. ("Graf-Pak") in the second quarter of 2024. Details of the business combination and the retrospective adjustments made to comparative figures are disclosed in Note 5 – Business Combinations in the Company's audited consolidated financial statements for the year ended December 31, 2024.

5. INVENTORIES

	March 31, 2025 \$	December 31, 2024 \$
Raw materials	12,511	11,712
Work in progress	1,496	2,364
Finished goods	17,266	15,401
	31,273	29,477

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-month period ended March 31, 2025 is \$50,564 [2024 – \$52,929].

6. 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 March 31, 2025 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. 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 \$313 in the first quarter of 2025. Included in restructuring expenses is a loss on disposal of assets of \$76.

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March 31, 2025 and 2024

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

In the first quarter of 2024, the Company incurred \$24 of restructuring expenses, mainly comprised of employee related charges and decommissioning costs, related to 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.

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

	March 31, 2025	December 31, 2024
	\$	\$
Balance, beginning of year	683	582
Restructuring expenses	—	1,277
Payments	(67)	(1,176)
Balance, end of year	616	683

8. LONG-TERM DEBT

	March 31, 2025	December 31, 2024
	\$	\$
Secured revolving credit facility	37,146	42,251
Term loans	828	891
Total debt	37,974	43,142
Deferred financing costs	(130)	(159)
Current portion	(259)	(256)
Long-term portion	37,585	42,727

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 March 31, 2025, the amount outstanding on the credit facility was \$37,146.

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 March 31, 2025.

Term loans

The Company has four term loans totaling \$828 as at March 31, 2025 [\$891 as at December 31, 2024], that were assumed following the acquisition of Impression Paragraph Inc. on January 16, 2023. The loans bear interest at rates ranging from 4.23% to 4.69% and are repayable in monthly instalments totaling \$22, including capital and interest. The loans mature between March 2026 and July 2028.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

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

Other

As at March 31, 2025, the Company had outstanding letters of credit totaling of \$10 [\$10 as at December 31, 2024].

The effective interest rate on the secured credit facility was 5.19% as at March 31, 2025 [5.27% as at December 31, 2024].

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

	Three-month periods ended March 31,	
	2025	2024
	\$	\$
Interest on secured credit facility	584	781
Interest on lease liabilities	542	393
Interest income on defined benefit plans obligations	(113)	(130)
Other interest expense	15	17
Amortization of deferred financing costs	29	53
	1,057	1,114

9. SHARE CAPITAL

The change in share capital was as follows:

	Number of common shares	Share capital \$
Balance, as at December 31, 2023	25,666,269	8,761
Purchase of share capital for cancellation	(318,600)	(109)
Balance, as at March 31, 2024	25,347,669	8,652
Balance, as at December 31, 2024 and March 31, 2025	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. The NCIB ended on August 30, 2024.

During the three-month period ended March 31, 2024 the Company repurchased 318,600 of common shares for cancellation through the NCIB in consideration of \$1,354. The excess of the purchase price over the carrying value in the amount of \$1,245 was recorded as a reduction of contributed surplus.

Deferred Share Unit ("DSU") Plan

As at March 31, 2025, the financial liability resulting from the DSU plan of \$1,740 [December 31, 2024 — \$1,916] is presented under Accounts payable and accrued liabilities.

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During the three-month period ended March 31, 2025, an amount of nil [2024 – nil] of variable executive compensation was allocated in DSUs and an amount of \$279 [2024 – \$335] was paid out. The net compensation expense for the DSU Plan amounted to \$103 [2024 – \$51] during the three-month period ended March 31, 2025 and is recognized under Selling, general and administrative expenses.

Performance Share Unit (“PSU”) Plan

As at March 31, 2025, the financial liability resulting from the PSU Plan of \$649 [December 31, 2024 – \$625] is presented under Accounts payable and accrued liabilities and \$68 [December 31, 2024 – \$64] is presented under Other long-term liabilities.

During the three-month period ended March 31, 2025, the net compensation expense for the PSU Plan amounted to \$28 [2024 – \$40] and is recognized under Selling, general and administrative expenses.

10. DIVIDENDS

Dividends declared from January 1, 2025 to March 31, 2025 were as follows:

Declaration date	Record date	Payment date	Per share	Dividend
			\$	\$
February 19, 2025	March 20, 2025	April 4, 2025	0.05	1,228
Total				1,228

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

Declaration date	Record date	Payment date	Per share	Dividend
			\$	\$
February 21, 2024	March 21, 2024	April 5, 2024	0.04	1,014
Total				1,014

11. 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 – Material accounting policy information in the Company’s audited consolidated financial statements for the year ended December 31, 2024, prepared in accordance with IFRS.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

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

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

	2025		
	\$		
	Envelope	Packaging & Specialty Products	Total
Revenue	48,416	21,812	70,228
Operating expenses	35,272	15,474	50,746
Selling, general and administrative expenses	4,818	3,067	7,885
Segmented Adjusted EBITDA⁽¹⁾	8,326	3,271	11,597
Corporate and other non-allocated expenses			2,768
Depreciation of property, plant and equipment			1,488
Depreciation of right-of-use assets			1,568
Amortization of intangible assets			1,682
Restructuring expenses [note 7]			313
Net financing charges [note 8]			1,057
Earnings before income taxes			2,721
			2024
			\$
	Envelope	Packaging & Specialty Products	Total
Revenue	53,426	19,842	73,268
Operating expenses	36,913	15,676	52,589
Selling, general and administrative expenses	5,609	2,956	8,565
Segmented Adjusted EBITDA⁽¹⁾	10,904	1,210	12,114
Corporate and other non-allocated expenses			1,631
Depreciation of property, plant and equipment			1,633
Depreciation of right-of-use assets			1,354
Amortization of intangible assets			1,709
Restructuring expenses [note 7]			24
Net financing charges [note 8]			1,114
Earnings before income taxes			4,649

⁽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.

The Company's non-current assets amounted to \$104,832 in Canada and \$49,701 in the United States as at March 31, 2025 [\$108,939 and \$50,941, respectively, as at December 31, 2024]. The Company's revenue amounted to \$37,694, in Canada and \$32,534, in the United States for the three-month period ended March 31, 2025 based on the customer's locations [2024 — \$40,992 in Canada and \$32,276 in the United States].

12. SUBSEQUENT EVENT

Dividend declaration

On May 7, 2025, the Board of Directors declared a quarterly dividend of \$0.05 per common share, payable on June 20, 2025, to the shareholders of record at the close of business on June 5, 2025. This dividend is designated as an "eligible" dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial legislation.