SupremeX

PRESS RELEASE

Source: Supremex Income Fund

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SUPREMEX INCOME FUND: 2010 FIRST QUARTER RESULTS

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- EBITDA REMAINED STABLE AT $10.0 MILLION FOR THE FIRST QUARTER OF 2010 COMPARED WITH THE FIRST QUARTER OF 2009
- STRONG EBITDA MARGINS OF 24.2% COMPARED WITH 21.8% IN 2009
- REDUCTION OF DEBT OF $4.6 MILLION; DEBT TO EBITDA RATIO OF 2.24 AS AT MARCH 31, 2010
- NET EARNINGS OF $0.11 PER UNIT COMPARED WITH $0.14 IN THE FIRST QUARTER OF 2009 MAINLY DUE TO VARIATION IN INCOME TAXES EXPENSE

Montreal, Quebec, May 6, 2010 – Supremex Income Fund ("the Fund"), Canada's largest provider of stock and custom-manufactured envelopes (TSX: SXP.UN), today announced its results for the first quarter ended March 31, 2010.

For the first quarter of 2010, the Fund generated revenue of $41.2 million compared with $45.9 million for the three-month period ended March 31, 2009, representing a decrease of $4.7 million or 10.2%. The decrease in revenue is mainly attributable to a reduction of sales in Canada. Revenue from sales in Canada decreased by $4.0 million or 9.4%, from $42.4 million to $38.4 million. Revenue from sales in the United States decreased by $0.7 million or 20.0%, from $3.5 million to $2.8 million.

The decrease in sales revenue in Canada was driven by a 5.0% decrease in the number of units sold combined with a 4.5% decrease in the average selling price. The decrease in the number of units sold comes from most of the business markets, but particularly in the resale due to cheaper products available from the US market. The decrease in the average selling price is explained by the strength of the Canadian dollar in the first quarter, which was up 16.3% against the US dollar.

The decrease in sales revenue in the United States was due to a 3.3% decrease in the number of units sold combined with a 18.8% decrease in the average selling price given the strengthening of the Canadian dollar.

EBITDA for the first quarter remained stable at $10.0 million compared with the same period in 2009. EBITDA margin was 24.2% compared with 21.8% in the first quarter of 2009. The higher EBITDA margin is explained by the lower cost of raw materials due to the strengthening of the Canadian dollar and by a general reduction of all controllable costs.

Net earnings for the first quarter were $3.2 million or $0.11 per unit compared with $4.2 million or $0.14 per unit for the same period in 2009, representing a decrease of $1.0 million or 23.8% mainly due to the increase of the income taxes expense.

Distributable cash for the first quarter was $8.6 million or $0.29 per unit compared with $8.7 million or $0.30 per unit in the first quarter of 2009. This strong cash flow allowed the Fund to pay down its debt by $4.6 million in the first quarter.

Cash flows generated by the operating activities were $6.9 million in the first quarter of 2010 compared with $6.0 million for the same period in 2009.

“I am happy with the first quarter results, especially with our EBITDA of $10 million, which includes a non-recurrent expense of $200,000 related with the conversion of the Fund income trust structure into a public corporation at the beginning of 2011,” said Gilles Cyr, President and Chief Executive Officer of the Fund.

“The strengthening of the Canadian dollar affected sales in the quarter by $2.9 million out of the $4.7 million decrease. Excluding this impact, sales were down $1.8 million in the first quarter or 4%.

I am very pleased with our EBITDA margins of 24.2%. It is not easy to maintain margins of that level in an environment of overcapacity like we are facing, but with the continuous efforts of our people, we are reducing costs at every level of the organization.

In April, we announced the restructuring of our Toronto operations. It has been decided to close the Markham facility and to move production being made there into our Mississauga and Etobicoke facilities. This will result in a personnel reduction of approximately 20 people and the future disposal of our Markham facility. We are presently assessing the total costs associated with this restructuring of our Toronto operations. We estimate the annual savings to be about $1.5 million and we expect to have terminated the project by the end of the summer.

In the quarter, we have reduced our debt level by $4.6 million, and now have a debt to EBITDA ratio below 2.25. We are in a very good position to achieve our goal of 2 times by the end of the year. With the reduction of our debt, we are now in a position to review again potential acquisitions not only in the envelope business in North America, but also in related industries,” said Mr. Cyr.

Forward-Looking Statements
This press release contains "forward-looking statements" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA projection, future performance of Supremex and similar statements concerning anticipated future results, circumstances, performance or expectations. A statement is forward-looking when it uses what Supremex knows and expects today to make a statement about the future. Forward-looking statements may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. These statements relate to future events or future performance and reflect current assumptions, expectations and estimates of Management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking statements reflect current assumptions, expectations and estimates of Management and are based on information currently available to Supremex as at the date of this press release.

Forward-looking statements are subject to certain risks and uncertainties, and should not be read as guarantees of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for the fiscal year 2009 and, in particular, in “Risk Factors”. Consequently, we can not guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements. Supremex disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The Management's Discussion and Analysis can be found on www.sedar.com and on the Fund website www.supremex.com.

Non-GAAP Measures
References to EBITDA are to net earnings before net financing charges, income taxes, impairment of goodwill, amortization of property, plant and equipment, intangible assets, deferred compensation and loss (gain) on disposal of property, plant and equipment.

Management views distributable cash as an operating performance measure. It is also generally used by Canadian income funds as an indicator of financial performance. Distributable Cash is defined as cash flow related to operating activities adjusted for the net change in non-cash working capital balances, change in post-retirement benefits obligation, change in accrued pension benefits assets and maintenance capital expenditures. Distributable cash is important as it summarizes the funds available for distribution to unitholders.

EBITDA and Distributable Cash are not earnings measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Distributable cash may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA and Distributable cash should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as indicators of the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

About the Fund
Supremex Income Fund is Canada's largest manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex is the only national envelope manufacturer in Canada, with 10 facilities across seven provinces and employs approximately 650 people. This nationwide presence enables it to manufacture products tailored to the specifications of major national customers such as leading Canadian corporations, national resellers and governmental entities, as well as paper merchants and process and solutions providers.

Supremex Income Fund
Reconciliation of EBITDA to Net Earnings
(Unaudited)

	Three-month period ended March 31, 2010	Three-month period ended March 31, 2009
Net earnings for the period	**3,155,365**	4,206,954
Add (deduct):		
Amortization of property, plant and equipment	**1,156,130**	1,191,520
Amortization of intangible assets	**1,540,975**	1,540,975
Amortization of deferred compensation	**1,260,512**	1,293,658
Loss (gain) on disposal of property, plant and equipment	**12,483**	(70,811)
Net financing charges	**1,327,069**	1,424,361
Income taxes expense	**1,508,714**	430,732
EBITDA	**9,961,248**	10,017,389

Supremex Income Fund
Reconciliation of distributable cash to cash flows related to operating activities
(Unaudited)

	Three-month period ended March 31, 2010	Three-month period ended March 31, 2009
Cash flows related to operating activities	**6,850,777**	5,977,016
Add (deduct):		
Net change in non-cash working capital balances	**1,676,170**	2,699,123
Change in post-retirement benefits obligation	**4,500**	4,500
Change in accrued pension benefit assets	**304,200**	(37,900)
Maintenance capital expenditures	**(204,740)**	24,513
Distributable cash	**8,630,907**	8,667,252