
PRESS RELEASE

Source: Supremex Income Fund

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SUPREMEX INCOME FUND: 2009 FOURTH QUARTER RESULTS

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- EBITDA of \$10.5 million for the quarter compared with \$10.6 million in the fourth quarter of 2008 in spite of a decrease in revenue of 14.2%
- Reduction of debt of \$4.7 million in the fourth quarter, for a total of \$17.6 million in 2009
- Payout ratio of 56.2% for the quarter and 56.4% year-to-date compared with 100.6% and 92.7% in 2008
- A non-cash goodwill impairment of \$43 million was recorded, resulting in a loss of \$1.29 per unit in the fourth quarter of 2009 compared with \$4.79 per unit in the fourth quarter of 2008

Montreal, Quebec, February 16, 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 fourth quarter ended December 31, 2009.

For the fourth quarter of 2009, the Fund generated revenue of \$41.6 million compared with \$48.5 million for the three-month period ended December 31, 2008, a decrease of \$6.9 million or 14.2%. The decrease in revenue is mainly attributable to a reduction in sales in Canada. Revenue from sales in Canada decreased by \$5.9 million or 13.2%, from \$44.8 million to \$38.9 million. Revenue from sales in United States decreased by \$1.0 million or 27.2%, from \$3.7 million to \$2.7 million.

The decrease in sales revenue in Canada was driven by an 11.0% decrease in the number of units sold combined with a 2.5% decrease in the average selling price. The decrease in the number of units sold is mainly explained by the softness of the market, especially the direct mail market.

The decrease in sales revenue in the United States was due to a 10.0% decrease in the number of units sold combined with a 18.1% decrease in the average selling price given the strengthening of the Canadian dollar. The weak US market was the major factor affecting sales in the United States.

EBITDA for the fourth quarter was \$10.5 million compared with \$10.6 million for the fourth quarter of 2008, representing a decrease of \$0.1 million or 0.9%. EBITDA margin was 25.3% in the fourth quarter compared with 21.8% in the fourth quarter of 2008. The higher EBITDA margin is explained by the strengthening of the Canadian dollar which reduces the raw material costs, and these savings were greater than the impact of the reduced selling prices in the quarter.

Net loss for the fourth quarter was \$37.8 million or \$1.29 per unit compared with a net loss \$140.4 million or \$4.79 per unit for the same period in 2008, a decrease of \$102.6 million or 73.1% due to the impairment of goodwill charge recorded in the fourth quarter of both years.

Distributable cash for the fourth quarter was \$7.8 million or \$0.27 per unit and \$31.2 million year-to-date or \$1.06 per unit, compared with \$8.4 million and \$36.4 million for the same periods last year. The Fund's payout ratio, or distribution declared as a percentage of distributable cash, was 56.2% for the fourth quarter and 56.4% for the year compared with 100.6% for the fourth quarter of 2008 and 92.7% for the full year in 2008.

Cash flows related to the operating activities were \$10.7 million in the fourth quarter of 2009 compared with \$15.7 million for the same period in 2008.

As of December 31, 2009, the total debt net of cash of the Fund was \$91.8 million compared with \$105.8 million at December 31 2008. This level of debt represents a ratio of 2.4 times EBITDA. The announced reduction of the distribution commencing January 1, 2010 will accelerate the reduction of debt in 2010.

"The envelope market has not recovered yet, but we see more signs that the market has turned upward. The strength of the Canadian dollar is affecting both the Canadian and US sales. A strong Canadian dollar combined with the actual overcapacity of the US envelope market results in cheaper US envelope products in the Canadian market. This explains the reduced average selling price in the Canadian market in the fourth quarter of 2009. In the US market, we are seeing more bidding and quoting activity, especially in the direct mail market with financial institutions coming back to the market and mailing more," said Gilles Cyr, President and Chief Executive Officer of the Fund.

"The strength of the Canadian dollar has reduced our raw material costs and explained our excellent EBITDA margin of 25.3% in the fourth quarter the highest level since the fourth quarter of 2007 when the Canadian dollar was also strong. However, if the Canadian dollar remains strong we are expecting downward pressure on our margins mainly in markets more vulnerable to imports.

In the fourth quarter, the credit facilities were renewed up to January 2012. The new facilities consist of a term credit of \$75 million and a revolving credit facility of \$35 million, for a total of \$110 million. The new credit facilities have more restrictive conditions than before and this combined with the uncertain economic environment and the strength of the Canadian dollar, led the Board of Trustees to decide to reduce the distribution commencing with the January 2010 distribution. At the same time, Supremex also announced its intention to convert to a corporation at the end of 2010 subject to approval of Supremex's unitholders at the next annual and special meeting of Supremex to be held on May 7th 2010. At this time, the Board of Trustees intends to pay a quarterly dividend of \$0.03 per share, following the conversion into a corporation at the end of 2010.

I am very pleased with our debt repayment of \$17.6 million in 2009, well ahead of our goal of \$15 million. The new distribution level will allow us to reduce the debt rapidly, preserve cash and increase capital flexibility We are aiming at reducing our leverage to a Debt/EBITDA ratio of 2 times. With a lower level of debt, we will be in a good position to look at opportunities from an acquisition standpoint or other strategic initiatives.

The impairment charge we took to write-off the goodwill is very significant, but it is a non-cash charge to income and it will not affect the Fund's liquidity, cash flow from operating activities, debt covenants or have any impact on future operations," said Mr. Cyr.

For the twelve-month period ended December 31, 2009, the Fund generated revenue of \$166.2 million compared with \$182.6 million for the twelve-month period ended December 31, 2008, a decrease of \$16.4 million or 9.0%. The decrease of sales is mainly attributable to the sales in Canada.

EBITDA for the year 2009 was \$37.9 million compared with \$43.6 million in 2008, a decrease of \$5.7 million or 13.1%. EBITDA margin was 22.8% in 2009 compared with 23.9% in 2008.

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 loss before net financing charges, income taxes, impairment of goodwill, amortization of property, plant and equipment, intangible assets, deferred compensation and loss on disposal of machinery 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 Loss
(Unaudited)

	Three-month period ended December 31, 2009	Three-month period ended December 31, 2008
Net loss for the period	(37,770,997)	(140,353,060)
Add (deduct):		
Amortization of property, plant and equipment	1,158,116	1,212,822
Amortization of intangible assets	1,540,975	1,540,975
Amortization of deferred compensation	1,274,480	1,440,122
Impairment of goodwill	43,000,000	148,274,695
Loss on disposal of property, plant and equipment	169,567	80,538
Net financing charges	2,502,201	1,590,291
Income taxes recovery	(1,371,496)	(3,223,427)
EBITDA	10,502,846	10,562,956

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

	Three-month period ended December 31, 2009	Three-month period ended December 31, 2008
Cash flows related to operating activities	10,694,502	15,718,494
Add (deduct):		
Net change in non-cash working capital balances	(2,654,764)	(6,750,606)
Change in post-retirement benefits obligation	33,900	18,400
Change in accrued pension benefit assets	87,800	35,900
Maintenance capital expenditures	(336,625)	(650,134)
Distributable cash	7,824,813	8,372,054