Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated November 10, 2009 of Supremex Income Fund (the "Fund") should be read together with the audited consolidated financial statements and related notes for the year ended December 31, 2008 and with the unaudited consolidated financial statements and related notes for the three and nine-month periods ended September 30, 2009. The financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The fiscal year of the Fund ends on December 31. The Fund's reporting currency is the Canadian dollar. Per unit amounts are calculated using the weighted average number of units outstanding for the three and nine-month periods ended September 30, 2009.

This MD&A contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. This MD&A also makes reference to certain non-GAAP measures to assist in assessing the Fund's financial performance. Non-GAAP earnings measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Definition of EBITDA, Distributable cash and Non-GAAP Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.

The Fund

The Fund is an unincorporated, open-ended trust established under the laws of the Province of Quebec by a Fund Declaration of Trust dated February 10, 2006 and amended and restated as of March 31, 2006. The Fund was established to acquire and hold the common shares of Supremex Inc. ("Supremex").

The Fund's units trade on the Toronto Stock Exchange under the symbol SXP.UN. Additional information relating to the Fund can be found at www.sedar.com.

Overview of the Fund

Supremex is Canada's leading manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex employs approximately 650 people and is the only national envelope manufacturer in Canada, with 10 manufacturing facilities across seven provinces. This national presence allows Supremex to meet the manufacturing needs of large national customers, such as large Canadian corporations, nationwide resellers and government bodies, as well as paper merchants and solution and process providers.

Supremex has the largest share of the Canadian envelope manufacturing industry. This leading market share is due to Supremex's unparalleled ability to successfully compete both on a local and national basis across Canada.

Overall Performance

Payout ratio for the third quarter was 63.1% compared with 91.2% for the comparable period in 2008. This significant change is explained by the reduction of the annual distribution the Fund is paying to its Unitholders since the beginning of 2009. Year to date, the payout ratio is 56.5%. As planned, the excess cash generated allowed the Fund to reduce its debt level in the third quarter by $4.9 million, for $12.9 million since the beginning of 2009, in line with expectations. The secured credit facilities are classified as current liabilities as they mature on March 31, 2010. Discussions with the banks are still ongoing for the renewal of the secured credit facilities. In spite of more restrictive conditions, the Fund expects to have concluded the renewal in the next few weeks.

Revenue in third quarter of 2009 was $37.6 million compared with $42.9 million in the third quarter of 2008, representing a decrease of $5.3 million or 12.4%. The decrease in revenue is mainly attributable to a volume reduction, mostly coming from the Canadian market. This is attributable to the general economic slowdown having a strong impact on the direct mail, large corporations and financial institutions sales. There is still a lot of pressure coming from the US manufacturers given the very soft US market and the weak US dollar.

EBITDA for the third quarter of 2009 was $8.4 million, a decrease of $2.5 million compared with an EBITDA of $10.8 million for the third quarter of 2008. EBITDA margin was 22.3% compared to 25.3% in the third quarter of 2008. In addition to the negative impact of the reduction in revenue, the lower EBITDA margin is explained by the higher cost of raw materials.

No units were repurchased in the third quarter of 2009 through the Normal Course Issuer Bid.

Distributable Cash

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the cash flows available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to net earnings as a measure of profitability or as an alternative to the statement of cash flows. Quarterly distributable cash is not necessarily indicative of expected distributable cash for a full year. Distributable cash is not a recognized measure under GAAP and may not be comparable to similar measures used by other issuers.

Determination of Distributable Cash
(In thousands of dollars, except for per unit amounts)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash flows related to operating activities	**9,358**	10,971	**22,514**	28,975
Capital adjustment				
Capital expenditures[1]	**(116)**	(146)	**(61)**	(810)
Other adjustments				
Net change in non-cash working capital balances[2]	**(2,259)**	(1,611)	**964**	85
Change in other post-retirement benefits obligation and change in accrued pension benefit assets	**(22)**	24	**(62)**	(231)
Distributable cash[3]	**6,961**	9,238	**23,355**	28,019
Distribution declared	**4,395**	8,424	**13,184**	25,318
Weighted average number of units outstanding	**29,298**	29,312	**29,298**	29,383
Distributable cash per unit	**0.2376**	0.3152	**0.7972**	0.9536
Distribution per unit	**0.1500**	0.2874	**0.4500**	0.8617
Payout ratio	**63.1%**	91.2 %	**56.5%**	90.4%

(1) Capital expenditures refer to maintenance capital expenditures, net of proceeds from disposal of assets replaced.

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Maintenance capital expenditures	**116**	1,708	**442**	2,732
Proceeds from disposal of assets	—	(1,562)	**(381)**	(1,922)
Capital expenditures	**116**	146	**61**	810

(2) Distributable cash excludes change in non-cash working capital as changes in working capital components are often temporary by nature and, if needed, can be financed with the Fund's revolving operating credit facility.

(3) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures".

The Fund generated $7.0 million or $0.2376 per unit and $23.4 million or $0.7972 per unit of distributable cash for the three and nine-month periods ended September 30, 2009 compared with $9.2 million or $0.3152 per unit and $28.0 million or $0.9536 per unit for the comparable periods in 2008. More information on cash flow related to operating activities is provided under "Liquidity and Capital Resources."

The Fund declared distributions of $4.4 million or $0.1500 per unit and $13.2 million or $0.4500 per unit for the three and nine-month periods ended September 30, 2009, funded by distributable cash generated during the period, compared with $8.4 million or $0.2874 per unit and $25.3 million or $0.8617 per unit for the comparable period in 2008.

The distributable cash generated exceeds actual distributions by $2.6 million and $10.2 million for the three and nine-month periods ended September 30, 2009. As a result, the Fund's payout ratio, defined as distributions declared as a percentage of distributable cash generated, was 63.1% and 56.5% for the three and nine-month periods ended September 30, 2009. Since inception of the Fund, the payout ratio is 84.1%.

Distributions

The Fund makes monthly distributions to unitholders of record on the last business day of each month, payable on or about the 15th day of the following month. The per unit rate has been $0.05 per month since the beginning of 2009. Distributions for the period January 1, 2009 to September 30, 2009 were as follows:

Period	Record date	Payment date	Per unit $	Distribution $
January 2009	January 31, 2009	February 16, 2009	0.05	1,464,888
February 2009	February 28, 2009	March 16, 2009	0.05	1,464,888
March 2009	March 31, 2009	April 15, 2009	0.05	1,464,888
April 2009	April 30, 2009	May 15, 2009	0.05	1,464,888
May 2009	May 31, 2009	June 15, 2009	0.05	1,464,888
June 2009	June 30, 2009	July 15, 2009	0.05	1,464,888
July 2009	July 31, 2009	August 17, 2009	0.05	1,464,888
August 2009	August 31, 2009	September 15, 2009	0.05	1,464,888
September 2009	September 30, 2009	October 15, 2009	0.05	1,464,888
Total			0.45	13,183,992

The September distribution in the amount of $1,464,888 was declared and accrued in September 2009 and paid to unitholders on October 15, 2009. The tax allocation of distributions for 2009 is expected to be 100% return on capital and distributions are therefore treated as income for unitholders.

Source of Funding

The source of funding for the above distributions to unitholders was cash generated by operations, existing cash balances and cash equivalents.

(In thousands of dollars)

	Three-month period ended September 30, 2009 $	**Nine-month period ended September 30, 2009 $**	**Since inception $**
Distributable cash	**6,961**	**23,355**	130,445
Cash flows from operating activities	**9,358**	**22,514**	148,835
Net earnings (loss)	**3,071**	**10,623**	(63,919)
Actual cash distributions paid or payable relating to the period	**4,395**	**13,184**	109,733
Excess of distributable cash over cash distribution	**2,566**	**10,171**	20,712
Excess of cash flows from operating activities over cash distribution	**4,963**	**9,330**	39,102
Shortfall of net earnings over cash distribution	**(1,324)**	**(2,561)**	(173,652)

The shortfall of net earnings over cash distribution since inception is mainly related to the impairment of goodwill recorded in 2008 and the various amortization charges recorded that have no impact on cash generated.

Summary of Quarterly Results

Supremex's revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of products 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, fund-raising, and the holiday and tax seasons. The number of products sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer. As a result, Supremex's 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 utilizes warehouse capabilities to inventory envelopes as required to counter these predictable seasonal variations in sales volume.

The following table presents a summary of operating results of the Fund on a quarterly basis from October 1, 2007 to September 30, 2009.

(In thousands of dollars, except for per unit amounts)

	Sept. 30, 2009 $	June 30, 2009 $	Mar. 31, 2009 $	Dec. 31, 2008 $	Sept. 30, 2008 $	June 30, 2008 $	Mar. 31, 2008 $	Dec. 31, 2007 $
Revenue	**37,567**	41,172	45,933	48,453	42,935	43,620	47,545	49,731
EBITDA [1]	**8,389**	9,032	10,017	10,563	10,842	10,920	11,315	13,337
Earnings (loss) before income taxes	**3,047**	3,407	4,638	(143,576)	5,359	4,940	5,940	7,907
Net earnings (loss)	**3,072**	3,345	4,207	(140,352)	5,762	5,570	6,332	9,554
Net earnings (loss) per unit	**0.1048**	0.1142	0.1436	(4.7890)	0.1966	0.1900	0.2145	0.3089

Notes

(1) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures". EBITDA is not a recognized measure under GAAP and does not have standardized meanings prescribed by GAAP. EBITDA may not be comparable to similar measures presented by other issuers.

The period from July 1, 2008 to September 30, 2009 includes results of operations of the Montreal business for the period from September 16, 2008 to September 30, 2009.

Excluding the seasonal patterns of the business, revenue has decreased over the last eight quarters mainly due to the decrease in volume sold in both the Canada and the United States as a result of the softness of the US market and the fluctuations of the Canadian dollar. The fourth quarter 2008 loss is attributable to the recording of the goodwill impairment.

Selected Consolidated Financial Information
(In thousands of dollars, except for per unit amounts)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Revenue	**37,567**	42,935	**124,673**	134,100
Cost of goods sold, selling, general and administrative expenses	**29,169**	31,981	**97,140**	100,420
Restructuring expenses(1)	**9**	112	**95**	603
EBITDA (2)	**8,389**	10,842	**27,438**	33,077
Amortization of property, plant and equipment	**1,158**	1,161	**3,510**	3,876
Amortization of intangible assets	**1,541**	1,515	**4,623**	4,518
Amortization of deferred compensation	**1,281**	1,318	**3,919**	4,005
Loss (gain) on disposal of property, plant and equipment	—	(12)	**124**	68
Net financing charges	**1,361**	1,501	**4,170**	4,370
Earnings before income taxes	**3,048**	5,359	**11,092**	16,240
Provision for income taxes (recovery)	**(24)**	(403)	**469**	(1,424)
Net earnings	**3,072**	5,762	**10,623**	17,664
Basic net earnings per unit	**0.1048**	0.1966	**0.3626**	0.6012
Distribution declared per unit	**0.1500**	0.2874	**0.4500**	0.8617
Total assets	**241,529**	413,322	**241,529**	413,322
Secured credit facilities	**98,046**	112,913	**98,046**	112,913

(1) Restructuring expenses are related to the plan adopted to integrate and restructure NPG and Montreal following their acquisition. Any costs incurred relating to employees and facilities previously part of the Fund are charged to restructuring expenses as incurred.

(2) See “Definition of EBITDA, Distributable Cash and Non-GAAP Measures”.

Results of Operations

Three-month period ended September 30, 2009 compared with three-month period ended September 30, 2008

Revenue

Revenue for the three-month period ended September 30, 2009 was $37.6 million compared with $42.9 million for the three-month period ended September 30, 2008, a decrease of $5.3 million or 12.4%. The decrease in revenue is attributable to a reduction of sales in Canada.

Sales revenue in Canada decreased by $5.0 million or 12.7%, from $39.5 million to $34.5 million, and sales revenue in the United States decreased by $0.3 million or 8.8%, from $3.4 million to $3.1 million.

The decrease in sales revenue in Canada was driven by a 12.2% decrease in the number of units sold combined with a 0.5% decrease in the average selling price. The decrease in the number of units sold is mainly explained by the softness of the direct mail market.

The decrease in sales revenue in the United States was due to a 14.3% decrease in the number of units sold offset by a 4.5% increase in the average selling price given the weakening of the Canadian dollar. The weak US market was the major factor affecting sales in the United States.

Cost of goods sold, selling, general and administrative expenses

Cost of goods sold, selling, general and administrative expenses for the three-month period ended September 30, 2009 was $29.2 million compared with $32.0 million for the three-month period ended September 30, 2008, representing a decrease of $2.8 million or 8.8%.

Cost of goods sold for the three-month period ended September 30, 2009 was $25.5 million compared with $28.0 million for the same period in 2008, a decrease of $2.5 million or 8.9%. The decrease in units sold and the lower labour cost offset by the rising cost of raw materials, including the effect of the weakening Canadian dollar, explain the decrease in cost of goods sold.

Gross profit (revenue less cost of goods sold excluding amortization of property, plant and equipment) was $12.1 million for the three-month period ended September 30, 2009 compared with gross profit of $14.9 million for the comparable period in 2008, a decrease of $2.8 million or 18.8%. As a percentage of sales, gross profit fell by 2.7% in 2009 compared with 2008.

Selling, general and administrative expenses were $3.7 million for the three-month period ended September 30, 2009 compared with $4.0 million for the same period in 2008, a decrease of $0.3 million or 7.5%. The decrease is mainly attributable to lower profit sharing and other general expenses.

EBITDA

As a result of the changes described above, EBITDA was $8.4 million for the three-month period ended September 30, 2009 compared with $10.8 million for the same period in 2008, a decrease of $2.4 million or 22.2%.

Amortization

Aggregate amortization expense for the three months ended September 30, 2009 remained stable at $4.0 million.

Net financing charges

Net financing charges for the three months ended September 30, 2009 amounted to $1.4 million compared with $1.5 million for the same period in 2008, representing a decrease of $0.1 million or 6.7%, mainly due to lower interest rates.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes was $3.0 million for the three months ended September 30, 2009 compared with $5.4 million for the same period in 2008, a decrease of $2.4 million or 44.4%.

Provision for income taxes (recovery)

During the three months ended September 30, 2009, the Fund's provision for income taxes was not significant. Provision for income taxes takes into consideration, in addition to income taxes expense of $0.9 million at the statutory rate, an amount of $0.4 million related to the non-deductible amortization of deferred compensation and a reduction of $1.5 million attributable to the impact of interest income earned by the Fund and paid by Supremex.

Net earnings

As a result of the changes described above, net earnings were $3.1 million for the three-month period ended September 30, 2009 compared with $5.8 million for the same period in 2008, a decrease of $2.7 million or 46.6%.

Nine-month period ended September 30, 2009 compared with nine-month period ended September 30, 2008

Revenue

Revenue for the nine-month period ended September 30, 2009 was $124.7 million compared with $134.1 million for the nine-month period ended September 30, 2008, a decrease of $9.4 million or 7.0%. The decrease in revenue is mainly attributable to a reduction of sales in Canada.

Sales revenue in Canada decreased by $8.9 million or 7.2%, from $123.7 million to $114.8 million, and sales revenue in the United States decreased by $0.5 million or 4.8%, from $10.4 million to $9.9 million.

The decrease in sales revenue in Canada was driven by a 11.1% decrease in the number of units sold offset by a 4.4% increase in the average selling price. The decrease in the number of units sold is explained by the weakening of the market.

The decrease in sales revenue in the United States was due to a 20.4% decrease in the number of units sold offset by a 19.9% increase in the average selling price given the weakening of the Canadian dollar. The weak US market was the major factor affecting sales in the United States.

Cost of goods sold, selling, general and administrative expenses

Cost of goods sold, selling, general and administrative expenses for the nine-month period ended September 30, 2009 was $97.1 million compared with $100.4 million for the nine-month period ended September 30, 2008, representing a decrease of $3.3 million or 3.3%.

Cost of goods sold for the nine-month period ended September 30, 2009 was $84.8 million compared with $86.9 million for the same period in 2008, a decrease of $2.1 million or 2.4%. The decrease in units sold and lower labour cost offset by the rising cost of raw materials, including the effect of the weakening Canadian dollar, explain the decrease in cost of goods sold.

Gross profit (revenue less cost of goods sold excluding amortization of property, plant and equipment) was $39.9 million for the nine-month period ended September 30, 2009 compared with gross profit of $47.2 million for the comparable period in 2008, a decrease of $7.3 million or 15.5%. As a percentage of sales, gross profit fell by 3.2% in 2009 compared with 2008.

Selling, general and administrative expenses were $12.3 million for the nine-month period ended September 30, 2009 compared with $13.6 million for the same period in 2008, a decrease of $1.3 million or 9.6%. The decrease is mainly attributable to lower profit sharing, bad debt and travelling and entertainment expenses.

EBITDA

As a result of the changes described above, EBITDA was $27.4 million for the nine-month period ended September 30, 2009 compared with $33.1 million for the same period in 2008, a decrease of $5.7 million or 17.2%.

Amortization

Aggregate amortization expense for the nine months ended September 30, 2009 amounted to $12.1 million compared with $12.4 million for the same period in 2008, representing a decrease of $0.3 million or 2.4%.

Net financing charges

Net financing charges for the nine months ended September 30, 2009 amounted to $4.2 million compared with $4.4 million for the same period in 2008, representing a decrease of $0.2 million or 4.5%, mainly due to lower interest rates.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes was $11.1 million for the nine months ended September 30, 2009 compared with $16.2 million for the same period in 2008, a decrease of $5.1 million or 31.5%.

Provision for income taxes (recovery)

During the nine months ended September 30, 2009, the Fund recorded a provision for income taxes of $0.5 million. Provision for income taxes takes into consideration, in addition to income taxes expense of $3.5 million at the statutory rate, an amount of $1.2 million related to the non-deductible amortization of deferred compensation and a reduction of $4.3 million attributable to the impact of interest income earned by the Fund and paid by Supremex.

Net earnings

As a result of the changes described above, net earnings were $10.6 million for the nine-month period ended September 30, 2009 compared with $17.7 million for the same period in 2008, a decrease of $7.1 million or 40.1%.

Segmented Information

The Fund currently operates in one business segment; the manufacture and sale of envelopes. The Fund's net assets amounted to $111.9 million in Canada and $1.1 million in the United States as at September 30, 2009.

In Canada, the Fund's revenue amounted to $34.5 million and $114.8 million for the three and nine-month periods ended September 30, 2009 compared with $39.5 million and $123.7 million for the same periods in 2008, representing a decrease of $5.0 million or 12.7% and of $8.9 million or 7.2%. In the United States, the Fund's revenue amounted to $3.1 million and $9.9 million for the three and nine-month periods ended September 30, 2009 compared with $3.4 million and $10.4 million for the same periods in 2008, representing a decrease of $0.5 million or 4.8% for the nine-month periods.

Liquidity and Capital Resources

Cash flows from operating activities were $22.5 million for the nine-month period ended September 30, 2009, primarily attributable to earnings generated in the period, non-cash items including various amortization charges and future income taxes expense offset by an increase in non-cash working capital balances.

Cash flows from investing activities were minimal for the nine-month period ended September 30, 2009.

Cash flows used in financing activities were $27.4 million for the nine-month period ended September 30, 2009, mainly related to the distribution paid on Fund units and the amount paid on the revolving credit facility.

The Fund is generating enough free cash flow per year to meet its financial obligations. The reduction in distributions at the beginning of 2009 will allow the Fund to continue to reduce its debt over the next few years. The Fund has tax losses that can be used to reduce income tax that would otherwise be payable.

Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in the Fund's audited consolidated financial statements as of December 31, 2008 and did not significantly change since that date.

Financial Position Highlights

(In thousands of dollars except for ratio)

	September 30, 2009 $	December 31, 2008 $
Working capital (deficiency)	**(81,134)**	19,042
Total assets	**241,529**	262,669
Total secured credit facilities	**98,046**	110,752
Unitholders' equity	**113,048**	110,298

The secured credit facilities which mature on March 31, 2010, have been classified as current liabilities and resulted in a working capital deficiency as of September 30, 2009. Discussions with the banks are still ongoing for the renewal of the secured credit facilities. In spite of more restrictive conditions, the Fund expects to have concluded the renewal in the next few weeks.

The Fund was in compliance with the covenants of its credit facilities as at September 30, 2009.

Capitalization

As at November 10, 2009, there are 29,297,767 units issued by the Fund.

Units issued include 2,364,228 units valued at $23,642,280 issued to employees for a cash consideration of $23,642 as part of the business acquisitions and to amend the then existing Management profit sharing plan. As these units will vest over four years, subject to earlier vesting, the unamortized value of such units as at September 30, 2009, amounting to $2,534,992 is recorded as deferred compensation and is recorded as compensation expense over the vesting period. Each unit entitles the holder to participate equally in all allocations and distributions of the Fund and to one vote at all meetings of unitholders.

During the nine-month period ended September 30, 2009, the Fund did not purchase any units as part of a normal course issuer bid initiated on November 21, 2008.

New Accounting Policies

In the first quarter of 2009, the Fund has adopted the new standard issued by the Canadian Institute of Chartered Accountants (CICA): Section 3064, "*Goodwill and Intangible Assets*". This new standard establishes financial reporting for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The application of this new standard had a negligible effect on the Fund's financial statements and financial position.

In February 2008, CICA announced that Canadian public companies will adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”) effective January 1, 2011. As a result of this announcement, the Fund is developing a plan to convert its consolidated financial statements to IFRS. The plan is aimed in particular at identifying the differences between IFRS and the Fund’s accounting policies, assessing their impact and, where necessary, analyzing the various policies that the Fund could elect to adopt. At this stage, a detailed analysis of the differences between IFRS and the Fund’s accounting policies as well as an assessment of the impact of various alternatives under IFRS are in progress. Changes in accounting policies are likely and may materially impact the Fund’s consolidated financial statements, internal controls over financial reporting as well as disclosure controls and procedures and certain data systems.

Based on our initial analysis, the Fund has identified the following list of International Accounting Standards (“AIS”) pronouncements that differ from Canadian GAAP and could impact the Fund’s consolidated financial statements. The list of items should not be seen as exhaustive and is subject to change following completion of our detailed diagnostic and potential modifications to IFRS prior to adoption by the Fund:

- First-time adoption of IFRS: IFRS 1
- Business combinations: IFRS 3
- Presentation of financial statements: IAS 1
- Income taxes: IAS 12
- Property, plant and equipment: IAS 16
- Leases: IAS 17
- Employee benefits: IAS 19
- Impairment of assets: IAS 36
- Provision, contingent liabilities and contingent assets: IAS 37

The Fund will continue to analyze the impact of IFRS pronouncements. The next phase for the Fund will be to establish a changeover plan to convert to the new standards according to a detailed timetable in order to meet the requirements set with these new rules. At this time, the impact on the Fund’s future financial position and results of operations is not reasonably determinable or estimable.

Risk Factors

As a result of operations, business prospects and financial condition, the Fund is subject to a number of risks and uncertainties, and is affected by a number of factors outside the control of the management. Details are provided in the “Risk Factors” section of the Fund’s Annual Information Form, dated March 19, 2009 (which can be found at www.sedar.com).

Disclosure Controls and Internal Controls over Financial Reporting

The Fund’s CEO and CFO have assessed the effectiveness of the disclosure procedures and controls used for the consolidated financial statements and Management’s Discussion and Analysis as at September 30, 2009. Their assessment led them to conclude that the disclosure procedures and controls used for the financial statements and Management’s Discussion and Analysis were effective.

The CEO and the CFO are responsible for designing internal control over financial reporting (ICFR), or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There were no changes in the Fund's ICFR during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Fund's ICFR.

Forward-Looking Statements

This MD&A contains forward-looking statements relating to the future performance of the Fund. A statement is forward-looking when it uses what the Fund 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 ability 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 the Fund as at the date of this document.

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. Consequently, we cannot guarantee that any forward-looking statements will materialize. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for the fiscal year 2008 and, in particular, in "Risk Factors". Consequently, readers should not place any undue reliance on such forward-looking statements. The Fund disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Definition of EBITDA, Distributable Cash and Non-GAAP Measures

References to "EBITDA" are to earnings before net financing charges, income taxes, amortization of property, plant and equipment, intangible assets, deferred compensation and loss on disposal of property, plant and equipment.

Management views distributable cash as an operating performance measure, as it is a measure 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 benefit assets and maintenance capital expenditures. Distributable cash is important as it summarizes the funds available for distribution to unitholders. As the Fund will distributes substantially all of its cash on an on-going basis and since EBITDA is a metric used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that in addition to net earnings, EBITDA is a useful supplementary measure from which to make adjustments to determine distributable cash.

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 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.

Additional Information

Additional information relating to the Fund is available on SEDAR at www.sedar.com

Consolidated Financial Statements

Supremex Income Fund

Unaudited
For the three and nine-month periods ended September 30, 2009

All amounts expressed in Canadian dollars

Supremex Income Fund

CONSOLIDATED BALANCE SHEETS

As at	**September 30, 2009 $**	**December 31, 2008 $**
	[Unaudited]	
ASSETS ***[note 6]***		
Current		
Cash	**146,724**	4,989,775
Accounts receivable	**19,271,014**	24,949,289
Income taxes receivable	**93,474**	16,654
Inventories *[note 11]*	**15,086,899**	17,327,065
Prepaid expenses	**1,406,805**	1,211,788
Future income tax	**610,313**	1,133,356
Total current assets	**36,615,229**	49,627,927
Property, plant and equipment, net	**41,047,298**	44,620,759
Accrued pension benefit asset	**4,898,000**	4,973,900
Intangible assets, net	**40,467,804**	45,090,729
Goodwill	**118,501,125**	118,356,050
	241,529,456	262,669,365
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**15,978,189**	23,610,131
Accrued restructuring provision *[note 5]*	**631,605**	1,327,080
Distribution payable *[note 9]*	**1,464,888**	2,806,726
Current portion of secured credit facilities *[note 6]*	**98,045,823**	—
Current portion of derivative liability	**1,628,396**	2,842,065
Total current liabilities	**117,748,901**	30,586,002
Secured credit facilities *[note 6]*	**—**	110,751,797
Future income tax	**9,884,110**	9,470,216
Derivative liability	**—**	701,913
Other post-retirement benefits obligation	**848,200**	861,700
Unitholders' equity		
Fund units *[note 8]*	**282,798,322**	282,798,322
Contributed surplus	**7,625,424**	7,625,424
Deferred compensation	**(2,534,992)**	(6,454,110)
Deficit	**(173,651,942)**	(171,091,173)
Accumulated other comprehensive loss *[note 10]*	**(1,188,567)**	(2,580,726)
	113,048,245	110,297,737
	241,529,456	262,669,365

See accompanying notes

On behalf of the Trustees:

By: (Signed) L.G. Serge Gadbois — Trustee

By: (Signed) Gilles Cyr — Trustee

Supremex Income Fund

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

[Unaudited]

	Three-month periods ended September 30, 2009 $	2008 $	Nine-month periods ended September 30, 2009 $	2008 $
Revenue	**37,567,365**	42,935,444	**124,673,046**	134,099,932
Cost of good sold, selling, general and administrative expenses	**29,168,613**	31,981,138	**97,139,338**	100,419,530
Earnings before the following	**8,398,752**	10,954,306	**27,533,708**	33,680,402
Amortization of property, plant and equipment	**1,157,973**	1,160,857	**3,510,080**	3,875,890
Amortization of intangible assets	**1,540,975**	1,514,808	**4,622,925**	4,518,258
Amortization of deferred compensation	**1,281,143**	1,318,113	**3,919,118**	4,004,768
Loss (gain) on disposal of property, plant and equipment	**—**	(11,945)	**123,806**	67,762
Net financing charges *[note 6]*	**1,361,918**	1,500,834	**4,170,428**	4,370,187
Restructuring expenses *[note 5]*	**9,984**	112,218	**95,486**	602,813
	5,351,993	5,594,885	**16,441,843**	17,439,678
Earnings before income taxes	**3,046,759**	5,359,421	**11,091,865**	16,240,724
Provision for income taxes (recovery) *[note 7]*	**(24,695)**	(402,975)	**468,642**	(1,424,463)
Net earnings	**3,071,454**	5,762,396	**10,623,223**	17,665,187
Deficit, beginning of period	**(172,328,732)**	(19,654,278)	**(171,091,173)**	(14,662,862)
Distribution declared *[note 9]*	**(4,394,664)**	(8,424,174)	**(13,183,992)**	(25,318,381)
Deficit, end of period	**(173,651,942)**	(22,316,056)	**(173,651,942)**	(22,316,056)
Basic net earnings per unit	**0.1048**	0.1966	**0.3626**	0.6012
Weighted average number of units outstanding	**29,297,767**	29,311,667	**29,297,767**	29,382,553

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]

	Three-month periods ended September 30, 2009 $	2008 $	Nine-month periods ended September 30, 2009 $	2008 $
OPERATING ACTIVITIES				
Net earnings	**3,071,454**	5,762,396	**10,623,223**	17,665,187
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	**1,157,973**	1,160,857	**3,510,080**	3,875,890
Amortization of intangible assets	**1,540,975**	1,514,808	**4,622,925**	4,518,258
Amortization of deferred compensation	**1,281,143**	1,318,113	**3,919,118**	4,004,768
Amortization of deferred financing costs	**49,710**	43,660	**149,133**	125,715
Loss (gain) on disposal of property, plant and equipment	**—**	(11,945)	**123,806**	67,762
Future income taxes expense (recovery)	**(24,692)**	(403,920)	**467,536**	(1,428,208)
Change in post-retirement benefits obligation	**(4,500)**	(4,500)	**(13,500)**	(117,400)
Change in accrued pension benefit assets	**27,000**	(19,600)	**75,900**	348,000
Net change in non-cash working capital balances	**2,259,208**	1,611,292	**(964,216)**	(84,537)
Cash flows related to operating activities	**9,358,271**	10,971,161	**22,514,005**	28,975,435
INVESTING ACTIVITIES				
Business acquisitions, net of cash acquired *[note 2]*	—	(13,216,307)	**84,306**	(13,368,411)
Additions to property, plant and equipment	**(116,075)**	(1,707,767)	**(441,835)**	(2,732,260)
Proceeds from disposal of property, plant and equipment	—	1,562,155	**381,410**	1,922,488
Cash flows related to investing activities	**(116,075)**	(13,361,919)	**23,881**	(14,178,183)
FINANCING ACTIVITIES				
Purchase of Fund units for cancellation	**—**	—	—	(1,459,835)
Revolving credit facility	**(4,896,428)**	11,192,790	**(12,855,107)**	12,249,080
Distributions paid on Fund units	**(4,394,664)**	(8,424,174)	**(14,525,830)**	(25,342,953)
Financing costs incurred	—	(50,000)	**—**	(50,000)
Cash flows related to financing activities	**(9,291,092)**	2,718,616	**(27,380,937)**	(14,603,708)
Net change in cash and cash equivalents	**(48,896)**	327,858	**(4,843,051)**	193,544
Cash and cash equivalents, beginning of period	**195,620**	308,195	**4,989,775**	442,509
Cash and cash equivalents, ending of period	**146,724**	636,053	**146,724**	636,053
Supplemental information				
Interest paid	**485,338**	1,665,801	**2,840,586**	4,273,041
Income taxes paid	**—**	—	**2,057**	—

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Net earnings	**3,071,454**	5,762,396	**10,623,223**	17,665,187
Other comprehensive income				
Change in fair value of derivative designated as cash flow hedge net of income taxes	**(2,693)**	(377,262)	**(192,052)**	(937,070)
Reclassification adjustment for loss on derivative designated as cash flow hedge transferred to net earnings net of income taxes	**603,944**	181,945	**1,584,211**	263,313
Comprehensive income	**3,672,705**	5,567,079	**12,015,382**	16,991,430

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009 [Unaudited]

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Supremex Income Fund (the "Fund") is an unincorporated open-ended trust established under the laws of the Province of Québec pursuant to a Declaration of Trust dated February 10, 2006, as may be amended, supplemented or restated from time to time and began its operations on March 31, 2006.

The Fund owns Supremex Inc. ("Supremex"), a manufacturer and marketer of a broad range of stock and custom envelopes and related products.

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to the seasonal advertising and mailing patterns of its customers whereby highest number of mailings related to events including the return to school, fund-raising and the holiday and tax seasons occurs during that period. As a result, revenue and financial performance for the three and nine-month periods ended September 30, 2009 are not necessarily indicative of the revenue and financial performance that may be expected for a full year.

The unaudited interim consolidated financial statements include the accounts of the Fund and its subsidiaries and have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures have been omitted or condensed. The accounting principles applied are consistent with those as set out in the Fund's audited consolidated financial statements for the year ended December 31, 2008, except for the new accounting policies described in note 3. These unaudited interim consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statement of the Fund for the year ended December 31, 2008 as contained in the Fund's 2008 annual report.

2. BUSINESS ACQUISITION

On September 16, 2008, the Fund acquired substantially all the assets of Montreal Envelope ("Montreal") for $13.2 million. The cash payment was funded with funds raised from the existing revolving credit facility.

2. BUSINESS ACQUISITION [Cont'd]

The acquisitions have been accounted using the purchase method with operating results included in the Fund's earnings from the date of acquisition. The preliminary purchase price allocation is as follows:

	$
Accounts receivable	1,731,851
Inventories	1,589,619
Prepaid expenses	52,823
Property, plant and equipment	1,947,299
Future income tax assets	285,151
Intangible assets	1,570,000
Goodwill	8,077,011
Accounts payable and accrued liabilities	(1,053,082)
Accrued restructuring provision	(968,560)
Post-retirement benefits obligation	(80,900)
Net assets acquired	13,151,212
Consideration	
Cash	13,235,518
Balance of sale receivable	(84,306)

Estimated liabilities of $968,560 have been included in the preliminary purchase price allocation of Montreal, relating to estimated costs associated with severance and exit costs. Management is currently carrying out detailed assessments of the assets acquired, liabilities assumed and the integration plan. Changes will be made to the preliminary purchase price allocation when more information becomes available.

3. NEW ACCOUNTING POLICY

Adopted in 2009

In the first quarter of 2009, the Fund adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA): Section 3064, "*Goodwill and Intangible Assets*". This new standard establishes financial reporting for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

The adoption of this guideline did not have any material effect on the Fund's results, financial position or cash flows.

4. EMPLOYEE DEFINED BENEFIT PLANS

The Fund's total benefit cost for the pension plans was $601,000 and $1,883,000 for the three and nine-month periods ended September 30, 2009 [2008 - $651,000 and $1,589,000].

5. ACCRUED RESTRUCTURING PROVISION

In connection with the acquisition of NPG Envelope ("NPG") and Montreal, the Fund adopted a plan for the integration and restructuring of the acquired businesses. As a result, the Fund recognized a provision of $3,974,138 for severance, relocation and exit costs relating to certain employees and facilities of the acquired businesses. The liabilities relating to these costs have been included in the allocation of the purchase price of NPG and Montreal.

Any costs incurred relating to employees or facilities previously part of the Fund are charged to restructuring expenses as incurred in the consolidated statements of earnings and deficit.

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

	September 30, 2009	**December 31, 2008**
	$	**$**
Balance, beginning of period	**1,327,080**	1,042,136
Accrued restructuring included in purchase allocation	**199,097**	2,134,541
Restructuring expenses charged against earnings	**95,486**	698,748
Cash payments	**(990,058)**	(2,548,345)
Balance, end of period	**631,605**	1,327,080

6. SECURED CREDIT FACILITIES

As at September 30, 2009 the Fund has senior secured credit facilities consisting of a revolving operating credit facility of up to $45 million and a term credit facility of $75 million. Both facilities bear interest at a floating rate based on the Canadian prime rate, the US base rate, LIBOR or bankers' acceptance rates plus an applicable margin on those rates.

The revolving credit facility may be used for general corporate purposes, working capital requirements and permitted acquisitions. Both facilities mature on March 31, 2010 and there are no scheduled repayments of principal required prior to maturity.

6. SECURED CREDIT FACILITIES [Cont'd]

Amounts drawn under revolving and term credit facilities are as follows:

	September 30, 2009 $	**December 31, 2008 $**
Revolving credit facility	**23,144,892**	36,000,000
Term credit facility	**75,000,000**	75,000,000
Less: deferred financing costs, net	**(99,069)**	(248,203)
	98,045,823	110,751,797
Current portion	**(98,045,823)**	—
Long-term portion of secured credit facilities	**—**	110,751,797

As at September 30, 2009, the interest rates on the revolving and term credit facilities were 1.88% and 1.83%, respectively. The Fund entered into an interest rate swap agreement for its term credit facility at a fixed rate of 5.538% from April 1, 2007 to March 31, 2008, 5.991% from April 1, 2008 to March 31, 2009 and 6.192% from April 1, 2009 to March 31, 2010 (see note 13).

Under the terms of the secured credit facilities, the Fund is required, among other conditions, to meet certain covenants. The Fund was in compliance with these covenants as at September 30, 2009. The secured credit facilities are collateralized by hypothec and security interest covering all present and future assets of the Fund and its subsidiaries.

Net financing charges

	Three-month periods ended September 30,		**Nine-month periods ended September 30,**	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Interest on secured credit facilities	**1,314,284**	1,458,793	**4,018,949**	4,273,625
Other interest	**(2,076)**	(1,619)	**2,346**	(29,153)
Amortization of deferred financing costs	**49,710**	43,660	**149,133**	125,715
	1,361,918	1,500,834	**4,170,428**	4,370,187

7. INCOME TAXES

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

	Three-month periods ended September 30,		**Nine-month periods ended September 30,**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Earnings before income taxes	**3,046,759**	5,359,421	**11,091,865**	16,240,724
Income taxes expense at combined federal and provincial statuary rate	**947,540**	1,688,218	**3,449,568**	5,115,828
Impact of interest expense of Supremex paid to the Fund, eliminated on consolidation	**(1,448,604)**	(2,628,209)	**(4,298,252)**	(8,212,313)
Effect of change in enacted tax rates	**4,953**	64,606	**(127,836)**	227,361
Impact of amortization of deferred compensation not deductible for tax purposes	**398,436**	415,206	**1,218,846**	1,261,502
Non deductible expenses and other	**72,980**	57,204	**226,316**	183,159
Provision for income taxes (recovery)	**(24,695)**	(402,975)	**468,642**	(1,424,463)

8. UNITHOLDERS' EQUITY

Fund units

The Fund Declaration of Trust provides that an unlimited number of units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All units are of the same class with equal rights and privileges. Each unit entitles the holder to participate equally in all allocations and distributions and to one vote at all meetings of unitholders for each whole unit held.

The Fund units are redeemable at any time at the option of the holder at the lesser of 90% of the weighted average price of the Fund unit during the last ten trading days of the units on an open market and the closing market price on the redemption date. All redemptions are subject to a maximum of $50,000 in cash redemptions by the Fund in any particular month. Redemptions in excess of this amount will be paid by way of a distribution *in specie* of the assets of the Fund.

As at September 30, 2009, there are 29,297,767 units issued by the Fund. No units were issued during the three and nine-month periods ended September 30, 2009.

Pursuant to the normal course issuer bid, which began on November 21, 2008, the Fund could purchase for cancellation up to 1,800,000 units until November 20, 2009. During the three and nine-month periods ended September 30, 2009, the Fund did not purchase any units for cancellation.

9. DISTRIBUTION

The Fund makes monthly distributions of its available cash to unitholders of record on the last business day of each month, payable on or about the 15th day of the following month. Distributions to unitholders are recorded on an accrual basis. The September distribution in the amount of $1,464,888 was declared and accrued in September 2009 and paid to unitholders on October 15, 2009. Distributions for the period from January 1, 2009 to September 30, 2009 are as follows:

Period	Record date	Payment date	Per unit	Distribution $
January 2009	January 31, 2009	February 16, 2009	0.05	1,464,888
February 2009	February 28, 2009	March 16, 2009	0.05	1,464,888
March 2009	March 31, 2009	April 15, 2009	0.05	1,464,888
April 2009	April 30, 2009	May 15, 2009	0.05	1,464,888
May 2009	May 31, 2009	June 15, 2009	0.05	1,464,888
June 2009	June 30, 2009	July 15, 2009	0.05	1,464,888
July 2009	July 31, 2009	August 17, 2009	0.05	1,464,888
August 2009	August 31, 2009	September 15, 2009	0.05	1,464,888
September 2009	September 30, 2009	October 15, 2009	0.05	1,464,888
			0.45	13,183,992

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

A derivative designated as a cash flow hedge constitutes the sole item in accumulated other comprehensive loss. Changes that occurred during the periods were as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Opening balance, net of income taxes	**(1,789,818)**	(1,049,132)	**(2,580,726)**	(570,692)
Change in fair value of derivative designated as cash flow hedge, net of income taxes	**(2,693)**	(377,262)	**(192,052)**	(937,070)
Reclassification adjustment for loss on derivative designated as cash flow hedge transferred to net earnings, net of income taxes	**603,944**	181,945	**1,584,211**	263,313
Accumulated other comprehensive loss	**(1,188,567)**	(1,244,449)	**(1,188,567)**	(1,244,449)

11. INVENTORY AND COST OF GOOD SOLD

	September 30, 2009 $	December 31, 2008 $
Raw materials	**3,282,595**	4,456,695
Work in process	**204,753**	359,069
Finished goods	**11,599,551**	12,511,301
	15,086,899	17,327,065

The costs of inventories recognized as an expense are $26,597,265 and $87,671,302 for the three and nine-month periods ended September 30, 2009 [2008 - $29,069,137 and $90,495,953].

12. SEGMENTED INFORMATION

The Fund currently operates in one business segment: the manufacturing and sale of envelopes. The Fund's net assets amounted to $111,941,208 in Canada and $1,107,037 in the United States as at September 30, 2009. The Fund's revenue amounted to $34,447,200 and $114,738,392 in Canada and $3,120,165 and $9,934,654 in the United States for the three and nine-month periods ended September 30, 2009.

13. COMPARATIVE FIGURES

Certain comparative figures from the previous year were reclassified to conform to the presentation adopted for the current year.

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