



# Earnings Release

Foremost Income Fund - FMO.UN

..... For Immediate Release

## Foremost Income Fund Reports Third Quarter Revenues and Earnings

November 12, 2009 – Calgary, Alberta – Foremost Income Fund announces the financial results for the three and nine months ended September 30, 2009.

### CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND ACCUMULATED EARNINGS

(000's, except per trust unit amounts) (Unaudited)

	For the <b>THREE</b> months ended September 30,		For the <b>NINE</b> months ended September 30,	
	2009	2008	2009	2008
Revenue	\$ 24,082	\$ 57,270	\$ 94,042	\$ 160,118
Cost of sales	17,348	41,641	68,614	117,297
	<b>6,734</b>	<b>15,629</b>	<b>25,428</b>	<b>42,821</b>
Selling, general and administrative	3,663	6,195	13,752	17,696
Interest	(7)	22	(2)	259
Amortization	1,152	1,163	3,429	3,740
Foreign exchange loss (gain)	303	(54)	457	(194)
Realized gain on forward exchange contracts	-	-	(614)	-
Loss (gain) on disposal of property, plant and equipment	1	(31)	(145)	(2,363)
	<b>5,112</b>	<b>7,295</b>	<b>16,877</b>	<b>19,138</b>
Income from continuing operations before income taxes	1,622	8,334	8,551	23,683
Future income tax provision	-	-	-	-
Income from continuing operations	1,622	8,334	8,551	23,683
Discontinued operations (note 12)	-	87	-	581
Net income and comprehensive income	1,622	8,421	8,551	24,264
Accumulated earnings, beginning of period	93,069	84,130	90,422	80,908
Premium on repurchase of trust units	-	-	-	(2,026)
Distributions to unitholders	(2,141)	(5,352)	(6,423)	(15,947)
Accumulated earnings, end of period	\$ 92,550	\$ 87,199	\$ 92,550	\$ 87,199
Earnings per trust unit from continuing operations (note 10)				
Basic	\$ 0.08	\$ 0.39	\$ 0.40	\$ 1.11
Diluted	\$ 0.08	\$ 0.39	\$ 0.40	\$ 1.10
Earnings per trust unit (note 10)				
Basic	\$ 0.08	\$ 0.39	\$ 0.40	\$ 1.14
Diluted	\$ 0.08	\$ 0.39	\$ 0.40	\$ 1.13

### CONSOLIDATED BALANCE SHEETS

(000's) (Unaudited)

As at:	September 30, 2009	December 31, 2008	September 30, 2008
<b>Assets</b>			
Current assets			
Cash (note 4)	\$ 34,870	\$ 497	\$ -
Accounts receivable	15,948	42,118	31,577
Assets held for sale	-	-	3,594
Inventories (note 2)	38,622	56,448	65,029
Prepaid expenses	423	1,186	681
	<b>89,863</b>	<b>100,249</b>	<b>100,881</b>
Property, plant and equipment	50,503	53,687	54,440
Future income taxes	19,485	19,485	19,485
Goodwill and intangibles	15,022	15,176	15,226
	<b>\$ 174,873</b>	<b>\$ 188,597</b>	<b>\$ 190,032</b>
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities			
Bank indebtedness (note 4)	\$ -	\$ -	\$ 15,452
Accounts payable and accrued liabilities	12,506	22,484	19,465
Liabilities held for sale	-	-	703
Deferred revenue	6,342	12,449	4,059
	<b>18,848</b>	<b>34,933</b>	<b>39,679</b>
Unitholders' equity (note 3)			
Unitholders' capital	62,115	62,115	62,115
Contributed surplus	1,360	1,127	1,039
Accumulated earnings	92,550	90,422	87,199
	<b>156,025</b>	<b>153,664</b>	<b>150,353</b>
	<b>\$ 174,873</b>	<b>\$ 188,597</b>	<b>\$ 190,032</b>



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Both the Fund's balance sheet and statements of income reflect the impact of current market conditions and management's efforts to manage cash and maintain a strong balance sheet. From a balance sheet perspective, at September 30, 2009, the Fund had \$34.9 million of cash on hand as compared with \$15.5 million of bank indebtedness at September 30, 2008. The combined effect of lower business activity levels on working capital requirements plus specific initiatives to reduce operating costs generated \$1.0 million of cash from non-cash working capital items for Q3-2009 and \$28.7 million YTD-2009 compared with the use of \$15.9 million and \$9.1 million for the respective periods in 2008. Working capital at September 30, 2009 was \$71.0 million, a \$9.8 million increase over the \$61.2 million reported for September 30, 2008. Unitholders' equity represented 89.2% of total assets at September 30, 2009 versus 79.1% at September 30, 2008.

From an income statement perspective, weak North American natural gas drilling activity, lower oilsands activity and uncertain and volatile commodity markets continue to suppress revenues and earnings relative to 2008. Revenues for Q3-2009 amounted to \$24.1 million versus \$57.3 million for Q3-2008. YTD-2009 revenues were \$94.0 million compared to \$160.1 million for YTD-2008. Gross profit dollars declined as a result of lower revenues. Reflecting changes in product mix, the Q3-2009 gross profit percentage of 28.0% was higher than 27.3% for Q3-2008. The YTD-2009 product mix resulted in a gross profit percentage of 27.0% versus 26.7% for YTD-2008. Compared against 2008, Q3-2009 and YTD-2009 selling, general and administrative expenses decreased \$2.5 million and \$3.9 million respectively because of manpower reductions, discretionary cost reductions and reduced levels of accrued bonuses. Q3-2009 and YTD-2009 foreign exchange losses of \$0.3 million and \$0.5 million respectively arose from the stronger Canadian dollar relative to June 30, 2009 and December 31, 2008. The YTD-2009 realized gain on forward exchange contracts of \$0.6 million is associated with a vehicle order delivered and paid for in Q2-2009. No significant disposals of property, plant and equipment have occurred YTD-2009 whereas YTD-2008 reported proceeds of \$4.1 million and a gain on disposal of \$2.4 million. Mobile's Q3-2008 and YTD-2008 net income of \$0.1 million and \$0.6 million has been reported as discontinued operations. The Fund's Q3-2009 net income was \$1.6 million versus \$8.4 million for Q3-2008. YTD-2009 net income was \$8.6 million as compared with \$24.3 million in 2008. Q3-2009 basic earnings per trust unit were \$0.08 per unit compared to \$0.39 for Q3-2008. YTD-2009 earnings per trust unit amount to \$0.40 per unit versus \$1.14 per trust unit for YTD-2008. Funds flow from operations has decreased as a result of lower earnings. Q3-2009 funds flow from operations was \$2.9 million compared to \$9.5 million in 2008. YTD-2009 funds flow from operations was \$12.1 million as compared with \$25.3 million for YTD-2008. In response to this, the Fund has reviewed its capital expenditure requirements and levels of trust unit distributions. Q3-2009 and YTD-2009 capital expenditures to maintain productive capacity were \$0.1 million and \$0.3 million respectively with YTD-2009 expenditures offset by the proceeds from disposal of property, plant and equipment. No trust units have been repurchased YTD-2009 whereas YTD-2008 included a \$3.0 million repurchase of trust units. All paid in cash, Q3-2009 trust unit distributions were \$2.1 million or \$0.10 per trust unit compared to Q3-2008 trust unit distributions of \$5.4 million or \$0.25 per trust unit. YTD-2009 trust unit distributions are \$6.4 million or cumulatively \$0.30 per trust unit versus \$15.9 million or \$0.75 per trust unit YTD-2008. The combination of operating, investing and financing activities generated a Q3-2009 increase in cash of \$1.5 million versus \$0.5 million use of cash for Q3-2008 and generated \$34.0 million YTD-2009 versus the use of \$0.5 million YTD-2008.

Q3-2009 and YTD-2009 financial results reflect the expected weakness in the Fund's core markets and the Fund's response to these conditions. The Fund believes revenues and earnings will continue to be suppressed as weakness in core markets persists through Q4-2009 and well into 2010. Accordingly, the Fund intends to maintain its focus on cost control, operational efficiency, capital expenditure requirements and trust unit distribution levels to maintain its balance sheet strength and cash position. As part of this focus, the Fund continues to look for ways to reduced operating costs, re-align manpower and monetize non-essential assets. These cash accumulation efforts should enable the Fund to meet the impact of increased business activity on working capital and to pursue accretive acquisitions.

The Fund is an unincorporated open end mutual fund trust conducting its business through Foremost Universal LP ("Universal") and Foremost Industries LP ("Foremost"). The Fund derives its operational income from both Universal and Foremost. Universal's overall business is focused on the oil and gas industry and contains the business units of: Universal Industries, a manufacturer of oil treating systems, shop and field storage tanks; Maloney Industries, a manufacturer of medium- to large-scale oil and gas process treating equipment; Stettler Universal Limited Partnership, a gas separator manufacturer; Corlac Industries; Peace Land Fabricating and Supply Ltd. and De-In Industries Ltd., all shop tank manufacturers. Foremost is comprised of the business unit of Foremost Industries, a manufacturer of custom equipment used for the oil and gas, construction, water-well and mining industries.

On behalf of the Trustees  
Foremost Income Fund

[signed: J.T. Grenon]

James T. Grenon, Trustee



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## FORWARD-LOOKING STATEMENT

*Certain statements in this news release may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this news release, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this news release. These forward-looking statements involve a number of risks and uncertainties, including: the impact of general economic conditions, industry conditions, changes in laws and regulations, increased competition, fluctuations in commodity prices and foreign exchange, and interest rates and stock market volatility.*

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