
ARCTIC GLACIER INCOME FUND

Arctic Glacier Posts 23% First Quarter Sales Gain

Acquisitions spur Q1 revenue increase to record high

WINNIPEG, May 12, 2005 – The Arctic Glacier Income Fund (TSX-AG) today announced results for the three months ended March 31, 2005.

Highlights:

- Increased sales to a record \$13.8 million, up \$2.6 million or 23% compared to first quarter of 2004
- Declared distributions totaling \$6.3 million (\$0.2701 per unit) compared to \$6.2 million (\$0.2676 per unit) for first quarter of 2004
- Increased annualized distribution rate to \$1.10 per unit from \$1.07 per unit effective March 2005
- Continued operational focus of rationalizing and integrating acquired operations; during the first quarter closed two production facilities and converted and expanded one distribution center into a production facility

“The strategic and prudent implementation of Arctic Glacier’s growth strategy during 2004 drove our top line to a new record for the first quarter,” said Robert Nagy, President and CEO of Arctic Glacier Inc., the Fund’s operating company. “In addition, the deployment of capital from equity offerings in 2003 toward major acquisitions completed late in 2004 ensures accretive improvement of distributable cash in 2005. It also enables the Fund to provide unitholders with cash distributions at the higher annualized rate of \$1.10 per unit.”

Acquisitions of packaged-ice producers in the U.S. in 2004 formed the main driver behind a 23% sales gain over the first quarter of 2004. Revenues were significantly enhanced by the acquisitions of the Losquadro Ice Group in Arctic Glacier’s key New York City market and the Party Time Ice group of companies, which for Arctic Glacier commenced a new and strong market presence in Michigan, including the densely populated city of Detroit.

“The Fund performed well during the quarter, and results were fully in line with expectations,” said Keith McMahon, Executive Vice President and Chief Financial Officer of Arctic Glacier. “The packaged-ice business is highly seasonal and demand is typically light during winter months. In fact, we normally generate less than 10 percent of our annual sales in the first quarter but we still incur approximately 25 percent of annual fixed costs. As a result, Arctic Glacier’s first quarter results will traditionally show lower sales compared to the summer season, negative EBITDA and a net loss, and the first quarter this year was consistent with this pattern.”

First Quarter Financial Review

Sales in the first quarter of 2005 totaled \$13.8 million, an increase of \$2.6 million or 23% from the same period in 2004. Most of the gain was due to acquisitions completed during late 2004 in the New York and Michigan markets, which contributed \$2.9 million to sales during the first quarter. In addition, sales in previously serviced markets increased \$0.2 million or 2% from the first quarter of 2004. These increases in sales were partially offset by the stronger Canadian dollar, which reduced reported sales in previously serviced markets by \$0.5 million.

EBITDA during the quarter was negative \$5.1 million, compared to negative \$4.1 million in the same period last year, reflecting the increased scale of operations and the seasonal nature of the business. Negative EBITDA, excluding non-cash unit based compensation expense, totaled 35.1% of sales for the quarter, an improvement compared to 36.7% and 47.7% for the same periods in 2004 and 2003 respectively. This improvement is the result of improved fixed cost efficiency due to the increased scale of operations.

Net loss for the quarter totaled \$5.7 million or \$0.24 per unit, compared to \$3.1 million or \$0.13 per unit for the same period in 2004. As Arctic Glacier's scale of operations continues to increase, losses that are typical of the first quarter can be expected to increase as well.

The first quarter of 2005 ended with a distributable cash deficiency of \$7.9 million or \$0.34 per unit, compared to a deficiency of \$5.4 million or \$0.23 per unit for the same period in 2004.

“Arctic Glacier will see a full year of contribution in 2005 from the Losquadro and Party Time acquisitions,” said Mr. McMahon. “With the accretive nature of these acquisitions, full deployment of the equity proceeds from the October 2003 equity offering and a return to more normal summer weather conditions, the Fund expects to generate sufficient cash in 2005 to exceed the current distribution rate.”

The Fund declared distributions to unitholders totaling \$6.3 million or \$0.2701 per unit during the quarter, compared to distributions of \$6.2 million or \$0.2676 during the same period of 2004. The Fund's current monthly distribution rate of \$0.0917 per unit set in March 2005 equates to an annualized distribution rate of \$1.10 per unit.

Financial Position

The Fund had total long-term debt at March 31, 2005 of \$115.7 million, compared to \$49.3 million at the same time last year, with the increase due to the acquisitions made in December 2004. Included in the March 31, 2005 figures is \$13 million that is effectively bridge financing within current credit facilities.

The Fund's net debt to trailing 12-month EBITDA ratio at March 31, 2005 was 3.2:1, or 2.8:1 excluding temporary bridge financing, as the Fund has temporarily funded a portion of the December 2004 acquisitions and growth capital expenditures out of working capital. These ratios reflect an increase to trailing EBITDA of \$10.4 million to give effect to the contribution of acquisitions and foreign currency option gains. The net debt to trailing EBITDA ratio is expected to reduce to a level within the Fund's internal guideline of 2.25:1 during 2005. That should occur as working capital is replenished and as EBITDA increases with an expected return to more normal weather conditions during the summer.

Strong Growth Outlook

Strategic acquisitions in key markets completed during the past year will make significant contributions to the Fund in 2005 and beyond. The rationalization of acquisitions will proceed during 2005 and the first half of 2006. As this occurs, the Fund will remove costs and enhance productivity growth by improving production processes, distribution networks and administrative infrastructure.

The Fund is well positioned in all the markets in which it operates. Recent acquisitions in the New York and Michigan markets represent key additions to the Fund's operating assets as these acquisitions will enhance operating synergies, raise market profile and enlarge the foundation for future expansion. The Fund will continue to examine accretive acquisition opportunities that are strategic and where a significant regional presence can be achieved or enhanced.

Arctic Glacier will discuss first quarter results for 2004 during a conference call with a live audio webcast for investors and analysts on **Thursday, May 12 at 11 a.m. (EDT)**. To access the simultaneous webcast, please visit Arctic Glacier's website at www.arcticglacierinc.com. Please note the webcast allows participants to listen only.

Arctic Glacier Income Fund, through its operating company, Arctic Glacier Inc., is a leading producer, marketer and distributor of high-quality packaged ice in North America under the brand name of Arctic Glacier® Premium Ice. Arctic Glacier operates 24 production plants and 39 distribution facilities across Canada and the central, midwest and northeastern United States servicing more than 50,000 retail accounts.

Arctic Glacier Income Fund trust units are listed on the Toronto Stock Exchange under the trading symbol AG. There are 23.4 million trust units outstanding.

This news release contains forward-looking statements, which are subject to certain risks, uncertainties and assumptions. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, and there is no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as at the date of this news release, and the

Fund assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances.

EBITDA and distributable cash are not recognized measures under Canadian generally accepted accounting principles (GAAP). EBITDA is defined as earnings before interest, taxes, amortization, non-recurring expenses and acquisition integration charges that are one-time costs unique to each individual acquisition. EBITDA is a performance metric used by many investors to provide an indication of cash available for distribution from ongoing operations prior to debt service, capital expenditures and income taxes and is often used to compare companies and income trusts on the basis of ability to generate cash from ongoing operations. Distributable cash is a performance metric used by many investors to summarize the funds available for distribution to unitholders in an income trust. Investors should be cautioned that EBITDA and distributable cash should not be construed as alternatives to net income, cash from operations or other financial measures determined in accordance with GAAP as indicators of the Fund's performance. The Fund's method of calculating EBITDA and distributable cash may differ from other companies and income trusts and, accordingly, may not be comparable to measures used by them.

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Contact Information

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ARCTIC GLACIER INCOME FUND**Interim Consolidated Balance Sheets**

As at March 31, 2005 and 2004 (unaudited) and December 31, 2004 (audited)

(thousands)	March 31, 2005	March 31, 2004	December 31, 2004
ASSETS			
Current assets			
Cash	\$ -	\$ 4,132	\$ 14,755
Accounts receivable	4,983	4,441	7,845
Inventories	7,454	4,873	5,961
Prepaid expenses	4,538	3,671	2,180
	<u>16,975</u>	<u>17,117</u>	<u>30,741</u>
Property, plant and equipment	122,023	92,389	120,717
Other assets	3,645	3,419	3,739
Intangibles	25,249	2,699	25,695
Goodwill	106,703	103,995	106,150
	<u>\$ 274,595</u>	<u>\$ 219,619</u>	<u>\$ 287,042</u>
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	\$ 3,378	\$ -	\$ -
Accounts payable and accrued liabilities	10,266	8,264	12,325
Distributions payable to unitholders	2,143	2,078	2,083
Current obligations under capital leases	26	360	38
Principal due within one year on long-term debt	513	206	514
	<u>16,326</u>	<u>10,908</u>	<u>14,960</u>
Obligations under capital leases	-	25	-
Long-term debt	115,121	48,684	112,252
Future income taxes	4,599	1,309	10,426
Unitholders' equity			
Capital contributions	201,938	201,076	201,721
Contributed surplus	568	-	334
Cumulative earnings	16,620	4,972	22,327
Cumulative distributions	(63,772)	(38,737)	(57,462)
Cumulative translation adjustment	(16,805)	(8,618)	(17,516)
	<u>138,549</u>	<u>158,693</u>	<u>149,404</u>
	<u>\$ 274,595</u>	<u>\$ 219,619</u>	<u>\$ 287,042</u>

ARCTIC GLACIER INCOME FUND
Interim Consolidated Statements of Operations
 Three months ended March 31, 2005 and 2004 (unaudited)

(thousands, except per unit amounts)	2005	2004
Sales	\$ 13,809	\$ 11,222
Cost of sales, selling, general and administration expenses	<u>18,898</u>	<u>15,345</u>
Loss before the undernoted	(5,089)	(4,123)
Amortization	4,453	2,863
Interest	1,462	313
Acquisition integration charges	292	103
Gain on disposal of property, plant and equipment	(20)	(102)
Loss on foreign exchange options	130	-
Non-recurring expenses	-	7
Loss before income taxes	<u>(11,406)</u>	<u>(7,307)</u>
Income tax expense		
Current	211	218
Future (reduction)	<u>(5,910)</u>	<u>(4,471)</u>
	<u>(5,699)</u>	<u>(4,253)</u>
Loss for the period	<u>\$ (5,707)</u>	<u>\$ (3,054)</u>
Loss per unit – basic and diluted	<u>\$ (0.24)</u>	<u>\$ (0.13)</u>

ARCTIC GLACIER INCOME FUND
Interim Consolidated Statements of Cumulative Earnings
 Three months ended March 31, 2005 and 2004 (unaudited)

(thousands)	2005	2004
Cumulative earnings, beginning of period	\$ 22,327	\$ 8,026
Loss for the period	<u>(5,707)</u>	<u>(3,054)</u>
Cumulative earnings, end of period	<u>\$ 16,620</u>	<u>\$ 4,972</u>

ARCTIC GLACIER INCOME FUND
Interim Consolidated Statements of Cash Flows
Three months ended March 31, 2005 and 2004 (unaudited)

(thousands)	2005	2004
Cash from (used in):		
Operating activities		
Loss for the period	\$ (5,707)	\$ (3,054)
Adjustments for:		
Amortization	4,453	2,863
Gain on disposal of property, plant and equipment	(20)	(102)
Unit-based compensation expense	234	-
Unrealized loss on foreign exchange options	130	-
Future income tax reduction	(5,910)	(4,471)
Funds used in operations	(6,820)	(4,764)
Changes in working capital items	(3,176)	(735)
	<u>(9,996)</u>	<u>(5,499)</u>
Investing activities		
Additions to property, plant and equipment	(4,411)	(3,251)
Proceeds from disposal of property, plant and equipment	112	232
Additions to other assets	(208)	(15)
Additions to goodwill	-	(11)
Acquisition of business operations	-	(9,515)
	<u>(4,507)</u>	<u>(12,560)</u>
Financing activities		
Proceeds from long-term debt	2,318	17,243
Principal repayments on long-term debt	(134)	(56)
Principal payments under capital lease obligations	(12)	(79)
Units issued	217	171
Cash distributions paid	(6,250)	(6,230)
	<u>(3,861)</u>	<u>11,049</u>
Foreign exchange gain on cash held in foreign currency	<u>231</u>	<u>110</u>
Decrease in cash	<u>(18,133)</u>	<u>(6,900)</u>
Cash, beginning of period	<u>14,755</u>	<u>11,032</u>
Cash (bank indebtedness), end of period	<u>\$ (3,378)</u>	<u>\$ 4,132</u>
Supplementary cash flow information		
Interest paid	\$ 875	\$ 294
Income taxes paid	211	218

ARCTIC GLACIER INCOME FUND
Interim Schedule of Distributable Cash
 Three months ended March 31, 2005 and 2004 (unaudited)

(thousands, except per unit amounts)	2005	2004
Cash used in operating activities	\$ (9,996)	\$ (5,499)
Adjustments:		
Changes in working capital items	3,176	735
	(6,820)	(4,764)
Less sustaining capital expenditures, net of dispositions	(1,053)	(651)
Distributable cash deficiency	\$ (7,873)	\$ (5,415)
Weighted average number of units	23,359.7	23,283.7
Distributable cash deficiency per unit	\$ (0.34)	\$ (0.23)
Distributions declared	\$ 6,310	\$ 6,232
Distributions declared per unit	\$ 0.27	\$ 0.27
Distributions declared per unit (annualized)	\$ 1.08	\$ 1.07