

# Q3

## THIRD QUARTER REPORT TO UNITHOLDERS

For the period ended September 30, 2005

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ARCTIC GLACIER INCOME FUND

## MESSAGE TO UNITHOLDERS

We are pleased to report operating results for the third quarter of 2005. The results for the third quarter set records for the Fund in sales, EBITDA, earnings and distributable cash. The results clearly demonstrate the Fund's objective of growing through accretive acquisitions is being accomplished. The quarter also saw the Fund make a major acquisition in a new market and complete an equity financing for net proceeds of \$47.2 million.

Sales during the third quarter jumped by an unprecedented 45% to a record high of \$73.6 million. Much of the increase was powered by the acquisitions of U.S. packaged-ice producers in the final quarter of 2004. These included the Losquadro Ice Group in Arctic Glacier's key New York City market and the Party Time Ice Group of companies in Michigan, including the densely populated city of Detroit.

The Fund benefited from a return to more favorable weather conditions during the key summer months when the Fund has the most demand for its products. The Fund's geographic diversity was evident by the impact of weather during the third quarter. Our eastern Canadian markets, Michigan and parts of our northeastern U.S. markets benefited from strong sales as a result of favorable weather conditions. Our central U.S. markets saw weather conditions that were near normal, while our western Canadian markets had less than favorable weather conditions throughout much of the summer season. In September, the Fund also benefited from incremental sales to the hurricane-affected areas of the U.S. Gulf Coast. Overall, sales for the quarter were marginally above expectations. The improvement contrasted sharply with the unprecedented cold and wet conditions across most of North America during the same period in 2004.

For the first nine months of 2005, sales are up by 37% to \$134.7 million.

The same drivers powered a 56% gain in EBITDA for the third quarter to a record \$31.6 million. This increase was driven by contributions from the Losquadro and Party Time acquisitions as well as an increase in EBITDA from previously serviced markets of 32%, largely due to the improved weather conditions.

For the first nine months of 2005, EBITDA is up by 56% to \$41.6 million.

The expanded scale of operations this year also spurred higher earnings. For the third quarter, earnings moved up 48% to a new high of \$17.1 million. Earnings per unit rose to \$0.72 per unit from \$0.50 last year. For the nine-month period, earnings are up 26% to \$17.8 million and earnings per unit total \$0.75 compared to \$0.60 last year.

Distributable cash, driven by the broadened scale of operations and more favorable weather conditions across many of the Fund's markets, increased 51% to \$28.6 million during the third quarter. On a per-unit basis, distributable cash totaled \$1.19 compared to \$0.81 in 2004.

For the first nine months of 2005, distributable cash is up by 49% to \$32.3 million or \$1.37 per unit, up from \$0.93 last year.

During the quarter the Fund paid cash distributions at an annualized rate of \$1.10 per unit, which had been increased from \$1.07 in March 2005. Distributions during the quarter totaled \$6.8 million or \$0.2751 per unit. For the first nine months of 2005, distributions totaled \$19.6 million or \$0.8203 per unit.

As the Fund was posting new performance highs, we continued to grow. In September Arctic Glacier acquired the ice division of Hometown Inc. of Milwaukee, Wisconsin. This acquisition is expected to contribute an additional \$10 million to Arctic Glacier's annual sales. This operation extends Arctic Glacier's market coverage eastward from our strong base of operations in the north-central U.S. It is a tangible illustration of Arctic Glacier's strategic approach to growth through geographically contiguous transactions. The acquisition was funded from the proceeds of Arctic Glacier's most recent equity offering, which was completed during the third quarter.

The accretive acquisitions completed in late 2004 and the Hometown acquisition in September will directly benefit the Fund in 2006 and beyond. The most direct impact will be financial; all of Arctic Glacier's acquisitions have been accretive to distributable cash in their first full year of operations. In addition, from a strategic perspective the new operations expand market coverage and broaden our business platform, which facilitates further growth in the future. Management will also continue to rationalize production processes, distribution networks and administrative infrastructures.

The combination of accretive growth, prudent financing and sound administration has enabled the Fund to deliver regular monthly distributions and appreciation of unitholder value. Arctic Glacier is on track to a record year for 2005, and I look forward to providing you with details of our performance in the New Year.

**ROBERT J. NAGY**

President and  
Chief Executive Officer

# MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position for the three and nine months ended September 30, 2005

The Management's Discussion and Analysis ("MD&A") analyzes significant changes in the consolidated balance sheets, consolidated statements of operations, cumulative earnings and cash flows of Arctic Glacier Income Fund (the "Fund" or "Arctic Glacier"). It has been prepared taking into account material transactions and events up to and including October 24, 2005 and should be read in conjunction with the MD&A in the annual report of the Arctic Glacier Income Fund for the year ended December 31, 2004.

Due to the seasonal nature of Arctic Glacier's business, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. Arctic Glacier usually generates significant sales and profits in the second and third quarters, with lower sales and significant losses in the first and fourth quarters. Cash flows peak in the third and fourth quarters and drop off in the first and second quarters.

## Highlights for the Three Months Ended September 30, 2005

- Acquired the ice products division of Hometown Inc. of Milwaukee, Wisconsin, establishing Arctic Glacier as the market leader in Wisconsin;
- Successfully completed offering of 4.45 million trust units at a price of \$11.25 per unit for net proceeds of \$47.2 million;
- Increased sales by \$23.0 million or 45% compared to the third quarter of 2004;
- Increased EBITDA by \$11.4 million or 56% compared to the third quarter of 2004;
- Increased earnings by \$5.6 million or 48% compared to the third quarter of 2004;
- Increased earnings per unit (basic and diluted) to \$0.72 compared to \$0.50 for the third quarter of 2004;
- Increased distributable cash by \$9.6 million or 51% compared to the third quarter of 2004; and,
- Maintained the quarterly cash distribution rate of \$0.2751 per unit, reflecting the March 2005 increase of the distribution rate to \$1.10 on an annualized basis.

## Non-GAAP Financial Measures

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 measure 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 measure 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.

## Distributable Cash

The Fund generated distributable cash totaling \$28.6 million for the third quarter of 2005, an increase of \$9.6 million or 51% compared to \$19.0 million for the same period of 2004. The increase is primarily driven by the contribution of the Losquadro and Party Time acquisitions and the impact of more favorable summer weather conditions in 2005.

On a per unit basis, distributable cash totaled \$1.19 for the third quarter of 2005, an increase of \$0.38 or 47% compared to \$0.81 for the same period of 2004.

Distributable cash for the nine months ended September 30, 2005 totaled \$32.3 million, an increase of \$10.7 million or 49% compared to the same period of 2004. On a per unit basis, distributable cash for the first nine months of 2005 totaled \$1.37, an increase of \$0.44 or 47% compared to the same period of 2004.

The packaged ice business is very seasonal. The Fund has eliminated the impact of seasonality on unitholders by leveling the monthly distributions over the course of the year. However, the seasonality of the business does create a discrepancy between distributable cash generated and distributions. Demand for packaged ice is very light during the first four months of the year, which are characterized by lower sales levels and a distributable cash deficiency. Demand picks up in spring but is very dependent upon temperature and precipitation. The third quarter of the year includes the peak summer sales period and is the financial driver for the business. Demand tapers off after the summer season ends and, as a result, the last quarter of the year is characterized by modest distributable cash. Because of this seasonality, the calculation of distributable cash for any portion of the year is not necessarily indicative of the distributable cash to be expected for the year.

Management feels that the acquisitions made in 2004 have been accretive to distributable cash in 2005, and that the Fund will generate sufficient cash for the remainder of 2005 to exceed the current distribution rate.

## MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position for the three and nine months ended September 30, 2005

### DISTRIBUTABLE CASH

(thousands, except per unit amounts)	Three Months		Nine Months	
	2005	2004	2005	2004
Cash from (used in) operating activities	\$ 29,541	\$ 20,473	\$ 24,349	\$ 16,438
Adjustments:				
Changes in working capital items	(303)	(658)	10,694	8,120
	29,238	19,815	35,043	24,558
Less sustaining capital expenditures, net of dispositions	(668)	(857)	(2,722)	(2,917)
Distributable cash	\$ 28,570	\$ 18,958	\$ 32,321	\$ 21,641
Weighted average number of units	23,937	23,321	23,562	23,302
Distributable cash per unit	\$ 1.19	\$ 0.81	\$ 1.37	\$ 0.93
Distributions declared	\$ 6,848	\$ 6,241	\$ 19,592	\$ 18,709
Distributions declared per unit	\$ 0.28	\$ 0.27	\$ 0.82	\$ 0.80
Distributions declared per unit (annualized)	\$ 1.10	\$ 1.07	\$ 1.10	\$ 1.07

The Fund declared cash distributions totaling \$6.8 million or \$0.2751 per unit during the third quarter of 2005 compared to \$6.2 million or \$0.2676 per unit during the same period of 2004. For the nine months ended September 30, 2005, the Fund has declared cash distributions totaling \$19.6 million or \$0.8203 per unit compared to \$18.7 million or \$0.8028 per unit for the same period of 2004.

With the deployment in December 2004 of the remaining proceeds of the 2003 equity offerings and the contributions that the Losquadro and Party Time acquisitions are making in 2005, the Trustees of the Fund increased the monthly distributions in March 2005 to \$0.0917 per Fund unit, equivalent to \$1.10 per unit on an annualized basis. Annual distributions are anticipated to total \$1.095 per Fund unit in 2005, compared to \$1.07 per Fund unit in 2004.

### DISTRIBUTIONS

(thousands, except per unit amounts)

Month	Record Date	Payment Date	Distributions	
			Per Unit	Amount
January	January 31, 2005	February 15, 2005	\$ 0.0892	\$ 2,083
February	February 28, 2005	March 15, 2005	0.0892	2,084
March	March 31, 2005	April 15, 2005	0.0917	2,143
April	April 29, 2005	May 13, 2005	0.0917	2,144
May	May 31, 2005	June 15, 2005	0.0917	2,145
June	June 30, 2005	July 15, 2005	0.0917	2,145
July	July 29, 2005	August 15, 2005	0.0917	2,146
August	August 31, 2005	September 15, 2005	0.0917	2,147
September	September 30, 2005	October 14, 2005	0.0917	2,555
<b>Total</b>			<b>\$ 0.8203</b>	<b>\$ 19,592</b>

### Acquisitions

Arctic Glacier completed one acquisition during the third quarter of 2005. On September 16, 2005, a subsidiary of Arctic Glacier acquired the assets of the ice products division of Hometown Inc. of Milwaukee, Wisconsin.

The division, with annual sales of \$10 million, is the market leader in Wisconsin, servicing all major markets including Milwaukee, Madison and Green Bay. Arctic Glacier acquired production plants in Madison, Neenah and Sturgeon Bay, Wisconsin and a distribution center in Wausau, Wisconsin. The acquisition did not include the production plant in

# MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position for the three and nine months ended September 30, 2005

Milwaukee that Hometown Inc. has closed. Arctic Glacier will add production capacity in 2006 to service the Milwaukee market. The acquisition was an all-cash transaction, with aggregate cash consideration totaling \$7.4 million (U.S. \$6.3 million) including working capital acquired. In addition, the Fund incurred acquisition and restructuring costs totaling \$1.1 million. The acquisition was funded from proceeds of the September 2005 offering of trust units.

The acquisition is a key step in increasing market penetration and broadening the distribution base in or adjacent to previously serviced markets and is consistent with Arctic Glacier's approach to executing its growth strategy through geographically contiguous transactions. This acquisition will be accretive to distributable cash in its first full year of operations, and holds the prospect of further growth in the future.

## Results of Operations

### Sales

Sales for the third quarter ended September 30, 2005 totaled \$73.6 million, an increase of \$23.0 million or 45% compared to sales of \$50.6 million for the third quarter of 2004.

The increase in sales is primarily attributable to acquisitions made within the past twelve months. The Losquadro and Party Time acquisitions made in December 2004 and the Hometown acquisition made in September 2005 contributed \$17.2 million to sales during the third quarter. In addition, sales in previously serviced markets were up \$8.3 million or 17% compared to the third quarter of 2004 reflecting the more favorable summer weather conditions enjoyed this summer along with increased shipments into the hurricane-affected areas in the U.S. Gulf Coast in September. Sales were impacted negatively by the stronger Canadian dollar during the third quarter of 2005, which decreased the Canadian dollar value of sales generated in U.S. markets by \$2.5 million compared to the same period in 2004.

Sales for the nine months ended September 30, 2005 totaled \$134.7 million, an increase of \$36.7 million or 37% compared to the same period of 2004. Acquisitions contributed \$29.9 million during this period and sales in previously serviced markets were up by \$12.1 million or 13%. These factors were partially offset by the stronger Canadian dollar, which reduced reported sales by \$5.3 million this year.

### Cost of sales, selling, general and administration expenses

Cost of sales, selling, general and administration expenses for the third quarter of 2005 totaled \$42.0 million, an increase of \$11.6 million or 38% compared to \$30.4 million for the same period in 2004.

The increase in costs is primarily related to the Losquadro and Party Time acquisitions made in December 2004, and the Hometown acquisition made in September 2005, which added \$10.9 million to operating costs during the

third quarter. Costs in previously serviced markets were up by \$2.2 million or 8%, primarily due to increased sales volumes that resulted from more favorable summer weather conditions this year and higher bag and diesel fuel costs. These factors were partially offset by the stronger Canadian dollar during the third quarter of 2005, which decreased the Canadian dollar value of costs incurred in U.S. markets by \$1.5 million.

Cost of sales, selling, general and administration expenses for the nine months ended September 30, 2005 totaled \$93.1 million, an increase of \$21.8 million or 31% compared to the same period of 2004. The Losquadro and Party Time acquisitions have operated for the entire period in 2005 with costs totaling \$21.8 million and costs in previously serviced markets were up by \$3.7 million or 6% as a result of increased sales volumes and energy costs. These factors were partially offset by the stronger Canadian dollar, which decreased the Canadian dollar value of costs incurred in U.S. markets by \$3.7 million this year.

### EBITDA

EBITDA for the third quarter of 2005 totaled \$31.6 million, an increase of \$11.4 million or 56% compared to \$20.2 million for the same period in 2004. The Losquadro and Party Time acquisitions contributed \$6.3 million of EBITDA during the quarter and the contribution from previously serviced markets was up by \$6.1 million or 32%, primarily due to more favorable weather conditions. The improved summer weather contributed to an increase in sales volume and resulting improvement in operational and fixed cost efficiency. These factors were partially offset by the stronger Canadian dollar, which decreased the Canadian dollar value of EBITDA earned in U.S. markets by \$1.0 million.

EBITDA for the nine months ended September 30, 2005 totaled \$41.6 million, an increase of \$14.9 million or 56% compared to \$26.6 million for the same period in 2004. Acquisitions contributed \$8.1 million during this period and EBITDA from previously serviced markets was up by \$8.4 million or 34%, while the stronger Canadian dollar reduced EBITDA by \$1.6 million.

EBITDA, excluding non-cash unit based compensation expense, totaled 43.0% of sales for the third quarter of 2005, an improvement compared to 40.0% for the same period in 2004. This improvement was due to the increased volumes this summer, which improved operating efficiency and the expanded scale of operations, which has increased fixed cost efficiency. These factors have more than offset the increased bag and diesel fuel costs incurred this year and the lower margins that newly acquired operations generate during the first 18 to 24 months until the full effect of cost savings and efficiencies are realized.

For the nine months ended September 30, 2005, EBITDA, excluding non-cash unit based compensation expense, totaled 31.1% of sales, an improvement compared to 27.5% for the same period in 2004.

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## Amortization

Amortization expense totaled \$4.5 million for the third quarter of 2005, an increase of \$1.5 million or 52% compared to the same period of 2004. Amortization of property, plant and equipment increased by \$1.1 million due to an increase in depreciable assets from acquisitions and capital expenditures made during the last year. Amortization of the value assigned to customer relationships and non-competition agreements increased by \$0.4 million compared to the same period of 2004 as a result of acquisitions. These increases were offset by the impact of the stronger Canadian dollar, which reduced the Canadian dollar value of amortization for U.S. assets.

Amortization expense for the nine months ended September 30, 2005 totaled \$13.4 million, an increase of \$4.6 million or 52% compared to the same period of 2004.

## Interest

Interest expense totaled \$2.1 million for the third quarter of 2005, an increase of \$1.7 million compared to the same period in 2004. The increase is primarily the result of higher debt levels this year, prior to the September 2005 equity offering, as a result of the increased scale of operations and the related bridge financing, along with an increase in the average cost of debt. The average interest rate of debt was 6.3% during the third quarter of 2005, an increase compared to 3.1% for the same period last year as a result of the issuance of fixed rate senior secured notes in December 2004 and costs associated with bridge financing.

Interest expense for the nine months ended September 30, 2005 totaled \$5.7 million, an increase of \$4.6 million compared to the same period of 2004.

## Acquisition integration charges

Acquisition integration charges reflect the non-operating outlays associated with integrating acquired operations into Arctic Glacier's business model, subsequent to the completion of an acquisition, along with the costs of maintaining an acquisition department. Acquisition integration costs totaled \$0.2 million for the third quarter of 2005, an increase compared to \$0.1 million for the same period of 2004 as a result of integration activities following the acquisitions made in December 2004.

Acquisition integration charges for the nine months ended September 30, 2005 totaled \$0.7 million compared to \$0.3 million for the same period of 2004.

## Loss (gain) on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment totaled less than \$0.1 million for the third quarter of 2005, resulting from the disposition of the remaining surplus equipment from the Hatfield, Pennsylvania facility. This compares to a gain of \$0.3 million for the same period of 2004 resulting from the disposal of land and buildings in the central U.S.

For the nine months ended September 30, 2005, loss on disposal of property, plant and equipment totaled less than \$0.1 million compared to a gain of \$0.4 million for the same period of 2004.

## Loss (gain) on foreign exchange options

The gain on foreign exchange options totaled \$0.3 million for the third quarter of 2005, resulting from the Fund's exchange management program. This amount is comprised of \$0.1 million of cash gains realized on the exercise of currency option contracts that matured during the quarter, and \$0.2 million of unrealized gains resulting from the non-cash, period end fair-value adjustment of the value of the asset associated with outstanding currency option contracts at September 30, 2005.

The gain on foreign exchange options for the same quarter of 2004 totaled \$0.4 million, including \$0.6 million of cash gains realized on the exercise of currency option contracts, partially offset by \$0.2 million non-cash, period end fair-value reduction of the value of the asset associated with outstanding currency option contracts at the end of the quarter.

For the nine months ended September 30, 2005, the loss on foreign exchange options totaled \$0.1 million, comprised of less than \$0.1 million of cash gains realized on the exercise of currency option contracts that matured during the period, offset by \$0.1 million non-cash, period end fair-value reduction of the value of the asset associated with outstanding currency option contracts at September 30, 2005. The gain on foreign exchange options for the same period of 2004 totaled \$0.9 million, including \$0.6 million of cash gains realized on the exercise of currency option contracts that matured during the period, and \$0.3 million of unrealized gains resulting from the non-cash, period end fair-value adjustment of the value of the asset associated with outstanding currency option contracts at the end of the period.

## Income tax expense

Income tax expense for the third quarter of 2005 totaled \$7.9 million, an increase compared to \$5.8 million for the same period of 2004. Current tax expense decreased by \$0.3 million due to reduced U.S. withholding tax payments that result from the changes to the Fund's internal corporate structure in September 2004. Future income tax expense increased by \$2.4 million as a result of higher pre-tax earnings for the third quarter this year.

Income tax expense for the nine months ended September 30, 2005 totaled \$3.8 million compared to \$3.4 million for the same period of 2004.

## Earnings and earnings per unit

Earnings for the third quarter of 2005 totaled \$17.1 million, an increase of \$5.6 million or 48% compared to \$11.6 million for the same period in 2004. On a per unit basis, earnings were \$0.72 per unit (basic and diluted), an increase of \$0.22 or 44% compared to \$0.50 for the same period in 2004.

## MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position for the three and nine months ended September 30, 2005

For the nine months ended September 30, 2005, earnings totaled \$17.8 million, an increase of \$3.7 million or 26% compared to \$14.1 million for the same period of 2004 due to the expanded scale of operations. Earnings per unit

for the nine months ended September 30, 2005 totaled \$0.75 per unit, an increase of \$0.15 or 25% compared to \$0.60 per unit for the same period of 2004.

### SUMMARY OF QUARTERLY RESULTS

For the eight most recent quarters

(thousands, except per unit amounts)	2005			2004				2003
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	\$ 73,584	\$ 47,275	\$ 13,809	\$ 16,484	\$ 50,640	\$ 36,088	\$ 11,222	\$ 15,740
EBITDA	31,567	15,086	(5,089)	1,423	20,197	10,553	(4,123)	(647)
Earnings (loss)	17,149	6,332	(5,707)	215	11,566	5,574	(3,054)	(1,288)
Earnings (loss) per unit:								
Basic and diluted	0.72	0.27	(0.24)	0.01	0.50	0.24	(0.13)	(0.06)

### Quarterly results

The majority of Arctic Glacier's operations are in Canada and the north-central and northeastern United States. As a result, the business is affected by seasonal weather patterns. Demand for packaged ice is very light during the first four months of the year, which are characterized by negative EBITDA and significant losses. Demand picks up in spring but is very dependent upon temperature and precipitation. As a result, May and June enjoy positive EBITDA and modest earnings. The third quarter of the year includes the peak summer sales period and is the financial driver for the business. Demand tapers off after the summer season ends and, as a result, the last quarter of the year is characterized by slightly negative EBITDA and losses.

For the first three quarters of 2005, sales, EBITDA, earnings and earnings per unit were impacted by acquisitions made in 2004 and by the stronger Canadian dollar compared to the same period of 2004.

### Liquidity and Capital Resources

#### Cash from operating activities

Funds from operations, before changes in non-cash working capital items, totaled \$29.2 million for the third quarter of 2005, an increase of \$9.4 million or 48% compared to the same period of the previous year. The increase is directly attributable to the growth in the scale of operations this year from acquisitions and the EBITDA improvement that has resulted from the return to more favorable summer weather conditions. For the nine months ended September 30, 2005, funds from operations, before changes in non-cash working capital items, totaled \$35.0 million, an increase of \$10.5 million or 43% compared to the same period of 2004.

Changes in non-cash working capital items resulted in a net source of cash of \$0.3 million for the third quarter of 2005 compared to \$0.7 million for the same period of 2004. For the nine months ended September 30, 2005, changes in non-cash working capital items resulted in a net use of cash of \$10.7 million compared to \$8.1 million for the same period of 2004. This increase is due primarily to the larger scale of operations and improved sales levels this year, which result in increased levels of accounts receivable and accounts payable at the end of the summer season.

### INVESTING ACTIVITIES

(thousands)	Three Months		Nine Months	
	2005	2004	2005	2004
Sustaining capital expenditures, net of dispositions	\$ 668	\$ 857	\$ 2,722	\$ 2,917
Growth capital expenditures	1,155	2,846	7,626	7,474
Acquisitions	8,456	2,538	8,456	12,252
Additions to other assets	60	35	272	274
Additions to goodwill	—	93	—	144
Cash used in investing activities	\$ 10,339	\$ 6,369	\$ 19,076	\$ 23,061

# MANAGEMENT'S DISCUSSION & ANALYSIS

of Operating Results and Financial Position for the three and nine months ended September 30, 2005

## Cash used in investing activities

Cash used in investing activities totaled \$10.3 million for the third quarter of 2005 compared to \$6.4 million for the same period of 2004. Sustaining capital expenditures, which represents the replacement of property, plant and equipment to sustain current business operations, totaled \$0.7 million compared to \$0.9 million for the same period of 2004. For the nine months ended September 30, 2005, sustaining capital expenditures totaled \$2.7 million, down slightly from \$2.9 million for the same period in 2004. Sustaining capital expenditures are expected to average approximately 3.5 to 4.0% of sales on an annual basis.

Growth capital expenditures, representing outlays related to growing the business and enhancing distributable cash, totaled \$1.2 million for the third quarter of 2005. These costs primarily related to the new production facility in Newburgh, New York, the expansion of plant capacity in Twin Oaks, Pennsylvania and technology for the new Wisconsin operations. Growth capital expenditures of \$2.8 million in the same period of 2004 were comprised of investments in additional ice-making capacity and product drying equipment in the Alberta facilities, the purchase of the facility in Newburgh, New York that was previously leased, and the new head office building. For the nine months ended September 30, 2005, growth capital expenditures totaled \$7.6 million compared to \$7.5 million for the same period of 2004.

Cash totaling \$8.5 million was used during the third quarter of 2005 to acquire the ice division assets of Hometown Inc. During the same period of 2004, cash totaling \$2.5 million was used for acquisitions, including \$2.2 million to acquire the assets of Anytime Ice Company and \$0.3 million for an increase in the estimate of acquisition and restructuring costs for the Reynolds acquisition. For the nine months ended September 30, 2005, the Fund used \$8.5 million of cash for the Hometown acquisition, compared to \$12.3 million for the same period of 2004 for the Reynolds and Anytime acquisitions.

Additions to other assets totaled \$0.1 million during the third quarter of 2005 as a result of costs to extend the term of the revolving term credit facility by 13 months to January 2009. Additions to other assets totaled less than \$0.1 million during the same period of 2004 as a result of costs related to the corporate restructuring. For the nine months ended September 30, 2005, additions to other assets totaled \$0.3 million, which is consistent with the same period in 2004.

## Cash used in financing activities

On September 20, 2005, the Fund successfully completed an offering of 4.45 million trust units at a price of \$11.25 per unit for net proceeds of \$47.2 million after deduction for underwriters' fees and other issuance costs of approximately \$2.9 million. The proceeds were used to fund the Hometown acquisition and to reduce amounts outstanding under the

revolving term credit facility. The offering increased the total number of units outstanding at September 30, 2005 to 27.86 million units.

Cash generated by financing activities totaled \$1.3 million for the third quarter of 2005, compared to cash used of \$2.1 million for the same period of 2004.

During the third quarter of 2005 the Fund generated net cash proceeds of \$47.4 million from the issue of trust units, including \$47.2 million from the September 2005 equity offering and \$0.2 million from the Distribution Reinvestment Plan. The Fund used cash totaling \$46.1 million during the same period, including \$39.7 million to pay off the balance outstanding on the revolving term credit facility and to reduce the balance of deferred acquisition consideration and \$6.4 million for distributions to unitholders. During the same period of 2004 the Fund used a total of \$2.1 million of cash, drawing \$3.9 million on the credit facility for business and property acquisitions and generating \$0.2 million from the Distribution Reinvestment Plan, while using \$6.2 million to pay distributions and less than \$0.1 million to retire loans and notes payable.

The Fund had total long-term debt outstanding at September 30, 2005 of \$71.6 million, comprised of senior secured notes of \$69.8 million and deferred acquisition consideration of \$1.8 million. There were no amounts outstanding under the revolving term credit facility at September 30, 2005. The Fund had long-term debt outstanding of \$56.0 million at the same time in 2004, comprised of senior debt under the revolving term credit facility of \$55.2 million, deferred acquisition consideration and other loans payable of \$0.7 million and obligations under capital leases of \$0.1 million.

The Fund's net debt<sup>(1)</sup> to EBITDA ratio at September 30, 2005 was 1.4:1 (with trailing EBITDA increased by \$1.3 million to give effect to the contribution of acquisitions and the realized gain on foreign currency options), compared to 1.7:1 in 2004. This is well within the Fund's stated intention to maintain a net debt to EBITDA ratio of less than 2.25:1, excluding any bridge financing of future acquisitions.

Cash flow from operations, together with unutilized credit available on existing credit facilities, are expected to be sufficient to meet operating requirements, capital expenditures and anticipated distributions.

The Fund's financing agreements contain various financial covenants. The Fund is in compliance with all debt covenants at September 30, 2005.

(1) Net debt is defined as total long-term debt and obligations under capital leases reduced by cash.

## Contractual obligations

There have been no material changes to the Fund's contractual obligations during the third quarter of 2005 that are outside of the ordinary course of business, except that the purchase obligations related to the new plant in Newburgh, New York have been reduced to \$nil as payments were completed during the quarter.

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## Outstanding Unit Data

As at September 30, outstanding unit data was as follows:

(thousands)	2005	2004
Units	27,865.2	23,330.6
Unit options	2,350.0	840.0

As at October 24, 2005, the Fund had 27,873.0 units and 2,350.0 unit options outstanding.

## Accounting Policies and Estimates

The critical accounting policies and estimates and discussion of new accounting policies are substantially unchanged from those identified in the MD&A for the year ended December 31, 2004.

## Related Party Transactions

The Fund and its subsidiaries have not entered into any significant transactions with related parties during the three and nine months ended September 30, 2005 and do not have any amounts that are due from or due to related parties.

## Business Risks

The factors affecting the business remain substantially unchanged from those identified in the MD&A for the year ended December 31, 2004.

## Outlook

Arctic Glacier's record sales during the third quarter of 2005 were largely due to the acquisition of U.S. packaged-ice producers in the final quarter of 2004. The late December acquisitions included the Losquadro Ice Group in Arctic Glacier's key New York City market and the Party Time Ice Group in Michigan, including the densely populated market of Detroit. As well, the Fund benefited from more favorable weather conditions during the key summer months when the Fund has the most demand for its products.

In mid September the Fund acquired the assets of the ice division of Hometown Inc. of Milwaukee, Wisconsin. This new market for Arctic Glacier is expected to contribute an additional \$10 million to annual sales. In addition this acquisition extended the Fund's market coverage eastward from its strong base of operations in the north-central U.S. This acquisition, as well as the accretive acquisitions completed late in 2004, will benefit the Fund in 2006 and beyond.

Over the longer term, these accretive acquisitions benefit the fund in several ways. From a financial standpoint they strengthen cash flows and add to the reliability of distributions. Acquisitions additionally enhance Arctic Glacier's market

strength by expanding geographical influence and augmenting sales growth momentum. They also reduce risk by distributing revenue generation over a broader market area. And finally, each new acquisition also provides a stronger base from which to continue growth.

The combination of accretive acquisitions, rationalization of acquired operations and ongoing emphasis on cost control enable Arctic Glacier to continue profitable growth while making regular distributions to unitholders. As a result, management expects the Fund in 2005 to generate distributable cash in excess of requirements for distributions to unitholders at the current annualized rate of \$1.10 per unit.

Going forward, the combination of recent accretive acquisitions, rationalization activities and the return to more favorable weather conditions is expected to generate new performance benchmarks for the fiscal year. The Fund is well capitalized and has a strong balance sheet. The Fund has a solid foundation that has been strengthened over the past year and will provide investors with secure and stable monthly distributions.

## Forward-Looking Statements

This interim report contains forward-looking statements, which reflect management's expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and its subsidiaries. Forward-looking statements typically contain words such as "anticipates", "believes", "continue", "could", "expects", "indicates", "plans" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including risks associated with weather conditions, the impact of seasonality on labor and distribution, competition, compliance with government regulations, currency risk, dependence on key personnel, product liability, environmental risk, risks associated with acquisitions, expansion into the United States, effects of price changes in raw materials, restrictions on potential growth and debt refinancing. Although the forward-looking statements contained in this report are based upon what management believes to be reasonable assumptions, the Fund cannot assure readers that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as at the date of this interim report, and the Fund assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances.

## BALANCE SHEETS

As at September 30, 2005 and 2004 (unaudited) and December 31, 2004 (audited)

(thousands)	September 30, 2005	September 30, 2004	December 31, 2004
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 10,351	\$ 11,900	\$ 14,755
Accounts receivable	20,649	13,860	7,845
Inventories	5,116	3,726	5,961
Prepaid expenses	2,439	2,539	2,180
	38,555	32,025	30,741
<b>Property, plant and equipment</b>	122,267	94,046	120,717
<b>Other assets</b>	3,012	1,804	3,739
<b>Intangibles</b>	25,361	3,724	25,695
<b>Goodwill</b>	103,500	101,972	106,150
	\$ 292,695	\$ 233,571	\$ 287,042
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 12,658	\$ 7,648	\$ 12,325
Distributions payable to unitholders	2,555	2,081	2,083
Current obligations under capital leases	—	51	38
Principal due within one year on long-term debt	493	190	514
	15,706	9,970	14,960
<b>Long-term debt</b>	71,127	55,721	112,252
<b>Future income taxes</b>	13,453	7,568	10,426
<b>Unitholders' equity</b>			
Capital contributions (Note 4)	249,596	201,508	201,721
Contributed surplus	664	285	334
Cumulative earnings	40,101	22,112	22,327
Cumulative distributions (Note 5)	(77,054)	(51,214)	(57,462)
Cumulative translation adjustment	(20,898)	(12,379)	(17,516)
	192,409	160,312	149,404
	\$ 292,695	\$ 233,571	\$ 287,042

See accompanying notes to interim consolidated financial statements.

Approved on behalf of the Trustees by:

**ROBERT J. NAGY**  
Trustee

**GARY A. FILMON**  
Trustee

INTERIM CONSOLIDATED  
**STATEMENTS OF OPERATIONS**

Three and nine months ended September 30, 2005 and 2004 (unaudited)

(thousands, except per unit amounts)	Three Months		Nine Months	
	2005	2004	2005	2004
<b>Sales</b>	\$ 73,584	\$ 50,640	\$ 134,668	\$ 97,950
Cost of sales, selling, general and administration expenses	42,017	30,443	93,104	71,323
Earnings before the undernoted	31,567	20,197	41,564	26,627
Amortization	4,475	2,939	13,445	8,839
Interest	2,117	455	5,736	1,171
Acquisition integration charges	186	83	665	315
Loss (gain) on disposal of property, plant and equipment	53	(258)	57	(363)
Loss (gain) on foreign exchange options	(269)	(380)	92	(901)
Non-recurring expenses	–	–	–	109
<b>Earnings before income taxes</b>	<b>25,005</b>	<b>17,358</b>	<b>21,569</b>	<b>17,457</b>
<b>Income tax expense</b>				
Current	119	450	468	1,389
Future	7,737	5,342	3,327	1,982
	7,856	5,792	3,795	3,371
<b>Earnings for the period</b>	<b>\$ 17,149</b>	<b>\$ 11,566</b>	<b>\$ 17,774</b>	<b>\$ 14,086</b>
<b>Earnings per unit – basic and diluted (Note 6)</b>	<b>\$ 0.72</b>	<b>\$ 0.50</b>	<b>\$ 0.75</b>	<b>\$ 0.60</b>

See accompanying notes to interim consolidated financial statements.

INTERIM CONSOLIDATED  
**STATEMENTS OF CUMULATIVE EARNINGS**

Three and nine months ended September 30, 2005 and 2004 (unaudited)

(thousands)	Three Months		Nine Months	
	2005	2004	2005	2004
<b>Cumulative earnings, beginning of period</b>	\$ 22,952	\$ 10,546	\$ 22,327	\$ 8,026
Earnings for the period	17,149	11,566	17,774	14,086
<b>Cumulative earnings, end of period</b>	<b>\$ 40,101</b>	<b>\$ 22,112</b>	<b>\$ 40,101</b>	<b>\$ 22,112</b>

See accompanying notes to interim consolidated financial statements.

## STATEMENTS OF CASH FLOWS

Three and nine months ended September 30, 2005 and 2004 (unaudited)

(thousands)	Three Months		Nine Months	
	2005	2004	2005	2004
<b>Cash from (used in):</b>				
<b>Operating activities</b>				
Earnings for the period	\$ 17,149	\$ 11,566	\$ 17,774	\$ 14,086
Adjustments for:				
Amortization	4,475	2,939	13,445	8,839
Loss (gain) on disposal of property, plant and equipment	53	(258)	57	(363)
Unit-based compensation expense	40	48	330	283
Unrealized loss (gain) on foreign exchange options	(216)	178	110	(269)
Future income taxes	7,737	5,342	3,327	1,982
Funds from operations	29,238	19,815	35,043	24,558
Changes in working capital items (Note 7)	303	658	(10,694)	(8,120)
	29,541	20,473	24,349	16,438
<b>Investing activities</b>				
Additions to property, plant and equipment	(1,896)	(4,041)	(10,628)	(11,188)
Proceeds from disposal of property, plant and equipment	73	338	280	797
Additions to other assets	(60)	(35)	(272)	(274)
Additions to goodwill	–	(93)	–	(144)
Acquisition of business operations (Note 3)	(8,456)	(2,538)	(8,456)	(12,252)
	(10,339)	(6,369)	(19,076)	(23,061)
<b>Financing activities</b>				
Proceeds from long-term debt	–	3,940	2,318	26,606
Principal repayments on long-term debt	(39,682)	(51)	(39,947)	(159)
Principal payments under capital lease obligations	(12)	(18)	(36)	(414)
Units issued	47,385	223	47,875	603
Cash distributions paid	(6,438)	(6,239)	(19,120)	(18,704)
	1,253	(2,145)	(8,910)	7,932
<b>Foreign exchange loss on cash held in foreign currency</b>	(971)	(534)	(767)	(441)
<b>Increase (decrease) in cash</b>	19,484	11,425	(4,404)	868
<b>Cash (bank indebtedness), beginning of period</b>	(9,133)	475	14,755	11,032
<b>Cash, end of period</b>	\$ 10,351	\$ 11,900	\$ 10,351	\$ 11,900
Supplementary cash flow information				
Interest paid	\$ 3,055	\$ 550	\$ 5,654	\$ 1,279
Income taxes paid	119	450	468	1,389

See accompanying notes to interim consolidated financial statements.

**1. ORGANIZATION**

Arctic Glacier Income Fund (the "Fund") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on January 22, 2002. The Fund was created to invest in the packaged ice manufacturing and distribution business in Canada and the United States, initially through the acquisition of The Arctic Group Inc. by the Fund's wholly-owned subsidiary, Arctic Glacier Inc., which was completed on March 22, 2002. Arctic Glacier Inc. subsequently amalgamated with The Arctic Group Inc., with the amalgamated corporation retaining the name Arctic Glacier Inc. (the "Company").

The Company operates in the packaged ice industry in Canada and the United States and is active in acquiring ice manufacturing and distribution companies. In addition, the Company licenses its trade names and proprietary technology to independently owned companies in Canada and the United States under franchise and license agreements.

**2. BASIS OF PRESENTATION**

These unaudited consolidated financial statements of the Fund have been prepared in accordance with Canadian accounting principles generally accepted for interim financial statements and contain the financial position, results of operations and cash flows of the Fund and its subsidiaries.

The interim consolidated financial statements and related notes do not include all of the information required for complete financial statements, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2004. The interim consolidated financial statements are prepared in accordance with the same accounting policies and methods of their application as the most recent annual consolidated financial statements. When necessary, the financial statements include amounts based on informed estimates and best judgments of management.

Due to the seasonal nature of the operations of the Company, the results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. The Company usually generates significant sales and profits in the second and third quarters, with lower sales and significant losses in the first and fourth quarters. Cash flows peak in the third and fourth quarters and drop off in the first and second quarters.

**3. BUSINESS ACQUISITIONS**

In September 2005, a subsidiary of the Fund acquired certain of the ice division assets and operations of Hometown Inc., which operated an ice manufacturing and distribution business in Wisconsin, for aggregate consideration of \$7,355 (U.S. \$6,296). In addition, the Fund incurred acquisition and restructuring costs of \$1,101 related to professional fees and other costs associated with the purchase of these assets and operations.

In March 2004, a subsidiary of the Fund acquired certain assets and operations of A. T. Reynolds & Sons, Inc., which operated an ice manufacturing and distribution business in New York, for aggregate consideration of \$8,804 (U.S. \$6,627). In addition, the Fund incurred acquisition and restructuring costs of \$1,228 related to professional fees and other costs associated with the purchase of these assets and operations.

In July 2004, a subsidiary of the Fund acquired the assets and operations of Anytime Ice Company and a subsidiary, which operated an ice manufacturing and distribution business in southern Minnesota, for aggregate consideration of \$2,093 (U.S. \$1,574). In addition, the Fund incurred acquisition costs of \$127 related to professional fees and other costs associated with the purchase of these assets and operations.

These transactions have been accounted for by the purchase method and the results of operations are included in the Fund's accounts from the dates of acquisition. Details of the acquisitions for the nine months ended September 30 are as follows:

	2005	2004
Net assets acquired, at fair value:		
Current assets	\$ 1,344	\$ 360
Property, plant and equipment	4,786	2,929
Other assets	58	—
Intangibles	2,099	6,478
Goodwill	213	2,538
	8,500	12,305
Less current liabilities	44	53
	\$ 8,456	\$ 12,252
Purchase consideration:		
Cash	\$ 7,355	\$ 10,897
Acquisition and restructuring costs	1,101	1,355
	\$ 8,456	\$ 12,252

# NOTES

## TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2005 and 2004 (unaudited)  
(amounts in thousands, except per unit amounts)

### 4. CAPITAL CONTRIBUTIONS

#### (a) Issued

Fund units are included in unitholders' capital contributions on the interim consolidated balance sheet as follows:

	Number of Units	Amount
Balance at December 31, 2003	23,275.1	\$ 200,905
Units issued for cash consideration under Distribution Reinvestment and Optional Cash Purchase Plan	74.9	816
Balance at December 31, 2004	23,350.0	201,721
Units issued for cash consideration on September 20, 2005, at \$11.25 per unit, net of issue costs of \$2,904	4,450.0	47,158
Units issued for cash consideration under Distribution Reinvestment and Optional Cash Purchase Plan	65.2	717
Balance at September 30, 2005	27,865.2	\$ 249,596

#### (b) Options

Changes in the number of options, with their weighted average exercise prices, are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Unit options outstanding at December 31, 2003	0.0	\$ –
Granted	840.0	11.50
Unit options outstanding at December 31, 2004	840.0	11.50
Granted	1,535.0	11.12
Expired	(25.0)	11.58
Unit options outstanding at September 30, 2005	2,350.0	\$ 11.25
Options exercisable, end of period	1,117.5	\$ 11.61

In April 2004, the Trustees of the Fund granted 840 unit options under the Unit Option Plan to certain executives, trustees and employees. The options vest 50% at the grant date and 50% after one year. The fair value of these options was determined at the date of the grant using the Black-Scholes option price model using weighted average assumptions of a five year expected option life, a 3.70% risk free interest rate, at an 18% volatility factor and 9.3% expected distributions. The fair value of the options was calculated at \$399 or \$0.47 per option and was expensed over the vesting period of the options.

In January 2005, the Trustees of the Fund granted 600 unit options under the Unit Option Plan to certain executives, trustees and employees. The options vest 50% at the grant date and 50% after one year. The fair value of these options was determined at the date of the grant using the Black-Scholes option price model using weighted average assumptions of a five year expected option life, a 3.63% risk free interest rate, at an 18% volatility factor and 9.0% expected distributions. The fair value of the options was calculated at \$318 or \$0.53 per option and is being expensed over the vesting period of the options.

In September 2005, the Trustees of the Fund granted 935 unit options under the Unit Option Plan to certain executives, trustees and employees. The options vest 25% per year starting in September 2006. The fair value of these options was determined at the date of the grant using the Black-Scholes option price model using weighted average assumptions of a five year expected option life, a 3.88% risk free interest rate, at an 18% volatility factor and 10.4% expected distributions. The fair value of the options was calculated at \$312 or \$0.33 per option and is being expensed over the vesting period of the options.

The compensation expense related to the unit options issued under the Unit Option Plan during the three and nine months ended September 30, 2005 totaled \$40 (2004 - \$48) and \$330 (2004 - \$283) respectively.

Three and nine months ended September 30, 2005 and 2004 (unaudited)  
(amounts in thousands, except per unit amounts)

## 5. CUMULATIVE DISTRIBUTIONS

Cumulative distributions for the three and nine months ended September 30 are as follows:

	Three Months		Nine Months	
	2005	2004	2005	2004
Balance, beginning of period	\$ 70,206	\$ 44,973	\$ 57,462	\$ 32,505
Distributions	6,848	6,241	19,592	18,709
Balance, end of period	\$ 77,054	\$ 51,214	\$ 77,054	\$ 51,214

Distributions are made monthly to unitholders of record on the last business day of each month. Distributions for the three and nine months ended September 30, 2005 were as follows:

Month	Record Date	Payment Date	Distributions	
			Per Unit	Amount
January 2005	January 31, 2005	February 15, 2005	\$ 0.0892	\$ 2,083
February 2005	February 28, 2005	March 15, 2005	0.0892	2,084
March 2005	March 31, 2005	April 15, 2005	0.0917	2,143
April 2005	April 29, 2005	May 13, 2005	0.0917	2,144
May 2005	May 31, 2005	June 15, 2005	0.0917	2,145
June 2005	June 30, 2005	July 15, 2005	0.0917	2,145
			0.5452	12,744
July 2005	July 29, 2005	August 15, 2005	0.0917	2,146
August 2005	August 31, 2005	September 15, 2005	0.0917	2,147
September 2005	September 30, 2005	October 14, 2005	0.0917	2,555
			0.2751	6,848
<b>Total</b>			<b>\$ 0.8203</b>	<b>\$ 19,592</b>

## 6. EARNINGS PER UNIT

The computation for basic and diluted earnings per unit is as follows:

	Three Months		Nine Months	
	2005	2004	2005	2004
Earnings and diluted earnings available to unitholders	\$ 17,149	\$ 11,566	\$ 17,774	\$ 14,086
Basic weighted average number of units	23,937.0	23,320.8	23,562.4	23,302.3
Dilutive effect of options	12.0	26.3	12.0	14.3
Diluted weighted average number of units	23,949.0	23,347.1	23,574.4	23,316.6
Earnings per unit				
Basic	\$ 0.72	\$ 0.50	\$ 0.75	\$ 0.60
Diluted	\$ 0.72	\$ 0.50	\$ 0.75	\$ 0.60

## NOTES

### TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2005 and 2004 (unaudited)  
(amounts in thousands, except per unit amounts)

#### 7. CHANGES IN WORKING CAPITAL ITEMS

The changes in working capital items are as follows:

	Three Months		Nine Months	
	2005	2004	2005	2004
Accounts receivable	\$ 1,794	\$ 1,092	\$ (11,658)	\$ (7,357)
Inventories	2,565	2,306	1,033	(63)
Prepaid expenses	1,050	1,058	(358)	70
Accounts payable and accrued liabilities	(5,106)	(3,798)	289	(770)
	\$ 303	\$ 658	\$ (10,694)	\$ (8,120)

#### 8. SEGMENTED INFORMATION

The Fund has determined that it operates in one business segment, the manufacturing and distribution of packaged ice and other products. The Fund and its subsidiaries operate in Canada and the United States.

The following presents key information by geographic segment:

Three Months Ended Sept 30	2005			2004		
	Canada	U.S.	Total	Canada	U.S.	Total
Sales	\$ 21,249	\$ 52,335	\$ 73,584	\$ 17,638	\$ 33,002	\$ 50,640
Cost of sales, selling, general and administration expenses	12,239	29,778	42,017	10,487	19,956	30,443
	\$ 9,010	\$ 22,557	\$ 31,567	\$ 7,151	\$ 13,046	\$ 20,197
Earnings for the period	\$ 8,306	\$ 8,843	\$ 17,149	\$ 6,797	\$ 4,769	\$ 11,566

Nine Months Ended Sept 30	2005			2004		
	Canada	U.S.	Total	Canada	U.S.	Total
Sales	\$ 36,364	\$ 98,304	\$ 134,668	\$ 31,130	\$ 66,820	\$ 97,950
Cost of sales, selling, general and administration expenses	26,776	66,328	93,104	24,141	47,182	71,323
	\$ 9,588	\$ 31,976	\$ 41,564	\$ 6,989	\$ 19,638	\$ 26,627
Earnings for the period	\$ 13,277	\$ 4,497	\$ 17,774	\$ 12,543	\$ 1,543	\$ 14,086
Total assets	\$ 72,593	\$ 220,102	\$ 292,695	\$ 76,239	\$ 157,332	\$ 233,571

# QUARTERLY FINANCIAL INFORMATION

(in thousands of dollars, except per unit data)

	2005			2004				2003			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Operating Results</b>											
Sales	73,584	47,275	13,809	16,484	50,640	36,088	11,222	15,740	48,219	25,615	7,596
EBITDA	31,567	15,086	(5,089)	1,423	20,197	10,553	(4,123)	(647)	20,413	8,317	(3,621)
Earnings (loss)	17,149	6,332	(5,707)	215	11,566	5,574	(3,054)	(1,288)	11,351	4,059	(3,358)
Basic earnings (loss) per unit	0.72	0.27	(0.24)	0.01	0.50	0.24	(0.13)	(0.06)	0.62	0.26	(0.21)
Diluted earnings (loss) per unit	0.72	0.27	(0.24)	0.01	0.50	0.24	(0.13)	(0.06)	0.62	0.26	(0.21)
<b>Cash Flow</b>											
Funds from (used in) operations	29,238	12,625	(6,820)	954	19,815	9,507	(4,764)	(1,357)	18,734	7,817	(4,232)
Distributions to unitholders	6,848	6,434	6,310	6,248	6,241	6,236	6,232	6,227	4,899	4,427	4,191
Distributions to unitholders per unit	0.28	0.28	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
<b>Financial Position</b>											
Net cash <sup>(1)</sup>	10,351	(9,133)	(3,378)	14,755	11,900	475	4,132	11,032	13,055	3,352	2,622
Current assets	38,555	32,054	16,975	30,741	32,025	25,126	17,117	23,177	34,044	22,946	12,260
Working capital	22,849	2,523	649	15,781	22,055	11,345	6,209	12,105	22,652	11,577	5,144
Total assets	292,695	291,954	274,595	287,042	233,571	231,258	219,619	214,657	214,123	172,482	165,522
Long-term debt <sup>(2)</sup>	71,620	116,937	115,660	112,804	55,962	55,016	49,275	32,045	62,557	34,070	51,573
Net debt <sup>(3)</sup>	61,269	126,070	119,038	98,049	44,062	54,541	45,143	21,013	49,502	30,718	48,951
Unitholders' equity	192,409	139,863	138,549	149,404	160,312	160,302	158,693	166,469	131,590	124,920	106,157
<b>Unit Data</b>											
Trading price range, per unit:											
High	\$ 12.14	\$ 12.00	\$ 12.25	\$ 12.06	\$ 12.42	\$ 12.29	\$ 12.20	\$ 10.68	\$ 10.65	\$ 9.98	\$ 9.59
Low	\$ 10.15	\$ 10.80	\$ 11.50	\$ 10.61	\$ 11.26	\$ 10.50	\$ 10.40	\$ 9.55	\$ 9.50	\$ 9.33	\$ 8.50
Close	\$ 10.98	\$ 10.95	\$ 11.65	\$ 12.00	\$ 11.95	\$ 11.74	\$ 12.15	\$ 10.50	\$ 9.95	\$ 9.59	\$ 9.50
Trading volumes (000s)	3,441	2,325	2,619	2,704	1,703	1,430	2,087	2,894	1,606	1,875	960
Cumulative Trading Volume (000s)	8,385	4,944	2,619	7,924	5,220	3,517	2,087	7,335	4,441	2,835	960
Units outstanding (000s):											
End of period	27,865	23,395	23,369	23,350	23,331	23,311	23,292	23,275	18,310	18,310	15,660
Weighted average (basic)	23,937	23,384	23,360	23,341	23,321	23,302	23,284	22,837	18,310	15,805	15,660

(1) Cash and cash equivalents, net of bank indebtedness.

(2) Includes obligations under capital leases.

(3) Long-term debt and bank indebtedness, net of cash and cash equivalents.

## CORPORATE INFORMATION

### OFFICERS

**Robert J. Nagy**

President & Chief Executive Officer

**Keith W. McMahon, CA**

Executive Vice President & Chief Financial Officer

**Hugh A. Adams**

Corporate Secretary

### SENIOR MANAGEMENT

**Robert J. Nagy**

President & Chief Executive Officer

**Keith W. McMahon, CA**

Executive Vice President & Chief Financial Officer

**Frank G. Larson**

Senior Vice President, Operations

**Serge Beaudet, CA**

Vice President, Canadian Operating Division

**Keith F. Burrows**

Vice President, Acquisitions and Integration

**Gary D. Cooley**

Vice President, Sales & Marketing

**Richard A. Thibault**

Vice President, Production

**Neil R. Winther**

Vice President, Human Resources & Administration

**Douglas A. Bailey, CA**

Corporate Controller

**Marc G. Fontaine**

Director, Information Systems

**Charles J. Knowlton**

Director, Franchise Operations

**Robin J. Myers-Keller, CA.CIA**

Director, Internal Audit

**Garth D. Waddell, CA**

Director, Finance

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### INVESTOR RELATIONS

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### AUDITORS

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**The Toronto-Dominion Bank  
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### TRANSFER AGENT

**Computershare Trust Company  
of Canada**  
Calgary, Alberta

### STOCK EXCHANGE LISTING

**Toronto Stock Exchange**  
Arctic Glacier Income Fund AG.UN

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ARCTIC GLACIER INCOME FUND

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