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# ARCTIC GLACIER INCOME FUND

## Arctic Glacier Revenues Increase 41% in Second Quarter

### *Record Q2 sales fueled by acquisitions*

**WINNIPEG, August 13, 2004** – The Arctic Glacier Income Fund (TSX-AG.UN) today announced results for the second quarter and six months ended June 30, 2004.

#### **Highlights:**

- Sales increased 41% to a second-quarter record of \$36.1 million
- Earnings increased 37% to a second-quarter record of \$5.6 million
- Distributions totaled \$6.2 million (\$0.27 per unit), up from \$4.4 million (\$0.27 per unit) in the second quarter of 2003
- Operational focus on rationalization and integration of acquired operations, installation of productivity-enhancing equipment upgrades

“Arctic Glacier’s growth in operations over the past year was evident throughout the Fund’s income statement,” said Robert Nagy, President and CEO of Arctic Glacier Inc., the Fund’s operating company. “The Fund is a much bigger operation than it was a year ago, and its broader scale is reflected in our results.”

Sales increased 41% over the second quarter of 2003, primarily due to acquisitions undertaken during the previous year. Since June 2003 Arctic Glacier completed four major acquisitions, all located in densely populated markets in the northeastern United States. To finance them, since June 2003 the Fund has issued 7.6 million trust units for net proceeds of \$70.8 million.

“The acquisitions are accretive to distributable cash, and their contributions will bolster the Fund’s ability to deliver stable monthly distributions to unitholders,” said Keith McMahon, Executive Vice President and CFO of Arctic Glacier.

Sales were slightly below expectations due to unseasonably cooler temperatures in most of Arctic Glacier’s key markets during the latter part of June. The weather resulted in a 1% sales decline in previously serviced markets. “While one of the strengths of Arctic Glacier is its broad geographic diversity, these unprecedented summer temperatures have prevailed across much of North America,” said Mr. Nagy. He noted the cool weather has continued into July and August.

During the quarter the Fund declared distributions to unitholders totaling \$6.2 million or \$0.27 per unit. To the end of the second quarter, year-to-date distributions have totaled \$12.5 million or \$0.54 per unit. On an annualized basis this represents \$1.07 per unit. To eliminate the effect of seasonal fluctuations in distributable cash, monthly distributions have been leveled throughout the year.

## **Second Quarter Operational Review**

During the second quarter, Arctic Glacier focused on upgrading and improving operations, together with integrating and rationalizing recently acquired facilities. Management also continued to investigate further acquisition opportunities, principally in the northeastern U.S.

Operations in Alberta particularly benefited from production process improvements during the quarter. Arctic Glacier's Calgary manufacturing plant completed a conversion to cost-efficient tube ice technology, installed advanced product drying technology and increased overall production capacity. New product drying equipment was also installed at the facility in Edmonton, resulting in significantly enhanced product quality.

“Arctic Glacier also introduced consumer-friendly recloseable packaging in the Alberta market for the peak summer season,” said Mr. Nagy. “This innovation represents a potentially significant competitive advantage, and if this initiative continues to perform as expected, it will be phased in throughout our network.”

## **Second Quarter Financial review**

Sales in the second quarter totaled \$36.1 million, up from \$25.6 million in the same period in 2003. Most of the gain was due to acquisitions made over the past 12 months in the northeastern U.S. In markets serviced prior to these acquisitions, sales for the quarter eased by 1% due to unfavorable weather. Sales were also negatively impacted by the strengthened Canadian dollar, which reduced the Canadian-dollar value of U.S. sales by \$0.2 million. For the first six months of 2004, sales were \$47.3 million, up 42% over the same period in 2003, reflecting the same influences as in the second quarter. In particular, the stronger Canadian dollar reduced reported sales by \$0.8 million during the first six months of the year.

Acquisitions also fueled an increase in amortization charges due to an increase in depreciable assets from properties purchased in 2003 and early 2004. Amortization in the second quarter increased 27% from 2003 to \$3.0 million. For the first half of 2004, amortization increased 22% to \$5.9 million.

Lower interest rates and a stronger Canadian dollar more than offset higher debt levels due to acquisitions. As a result, interest expense decreased slightly from the same quarter last year to \$0.4 million. For the year to date, interest charges moved down 10% to \$0.7 million.

Earnings for the second quarter increased 37% to \$5.6 million. On a per-unit basis, a higher number of units issued and outstanding in the second quarter of 2004 reduced earnings to \$0.24 per unit from \$0.26 for the same period in 2003. For the first half of 2004, earnings totaled \$2.5 million or \$0.11 per unit, compared to \$0.7 million or \$0.04 per unit.

Distributable cash for the quarter just ended increased 22% to \$8.1 million or \$0.35 per unit from \$6.6 million or \$0.42 per unit for the same period in 2003. For the first six months of 2004, distributable cash increased 49% to \$2.7 million or \$0.12 per unit from \$1.8 million or \$0.11 per unit in 2003.

For both the quarter and the first six months of the year, earnings and distributable cash per unit were impacted by an increased number of units outstanding as a result of equity offerings during 2003. As a result, earnings and distributable cash only reflect the contribution from acquisitions subsequent to the date of the offerings. These acquisitions are expected to be accretive to earnings and distributable cash on an annualized basis.

### **Financial Position**

As at June 30, 2004, Arctic Glacier's total debt outstanding was \$55.0 million, up from the year-earlier level of \$34.1 million as a result of growth through acquisitions. The Fund's net debt to trailing 12-month EBITDA ratio at mid-2004 was 2.1:1, less than the Fund's stated objective of 2.25:1.

Arctic Glacier is well positioned for continued growth by acquisition. During the fourth quarter of 2003 the Fund completed a unit offering that raised \$47.2 million net of offering costs. At this time over \$21 million of that financing remains available for investment. When combined with debt financing at the Fund's disposal, the total capital available for investment exceeds \$40 million. The Fund expects to deploy most of this capital during the fourth quarter of 2004.

### **Outlook**

At this time, management expects the Fund will generate sufficient cash in 2004 to meet or exceed the current distribution rate of \$1.07 per unit on an annualized basis.

For the balance of 2004, Arctic Glacier will continue to focus primarily on productivity-enhancing improvements and rationalizations of manufacturing, distribution and administrative operations. In addition, management is actively investigating accretive opportunities in markets where a significant regional presence can be achieved or enhanced. The Fund is financially well positioned for expansion and will proceed with acquisitions that meet exacting guidelines on quality, accretiveness, location and value.

<p>Arctic Glacier will discuss second quarter results for 2004 during a conference call with a live audio webcast for investors and analysts on <b>Monday, August 16 at 2 p.m. (EDT)</b>. To access the simultaneous webcast, please visit Arctic Glacier's website at <a href="http://www.arcticglacierinc.com">www.arcticglacierinc.com</a> or dial 416-640-4127 or 1-800-814-4857. Please note the webcast allows participants to listen only.</p>
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*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 20 production plants and 35 distribution facilities across Canada and the central and northeastern United States servicing more than 40,000 retail accounts.*

*Arctic Glacier Income Fund trust units are listed on the Toronto Stock Exchange under the trading symbol AG.UN. There are 23.3 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 and non-recurring expenses, including 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 Funds 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 Fund. 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 Funds and, accordingly, may not be comparable to measures used by them.

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The Toronto Stock Exchange does not approve or disapprove of the adequacy or accuracy of this release.

## ARCTIC GLACIER INCOME FUND

### Interim Consolidated Balance Sheets

As at June 30, 2004 and 2003 (unaudited) and December 31, 2003 (audited)

(thousands)	June 30, 2004	June 30, 2003	December 31, 2003
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 475	\$ 3,352	\$ 11,032
Accounts receivable	14,876	12,925	6,417
Inventories	6,002	4,520	3,515
Prepaid expenses	3,773	2,149	2,213
	<u>25,126</u>	<u>22,946</u>	<u>23,177</u>
<b>Property, plant and equipment</b>	<b>94,522</b>	<b>72,384</b>	<b>89,061</b>
<b>Other assets</b>	<b>4,594</b>	<b>2,755</b>	<b>3,703</b>
<b>Intangibles</b>	<b>1,376</b>	<b>1,373</b>	<b>1,375</b>
<b>Goodwill</b>	<b>105,640</b>	<b>73,024</b>	<b>97,341</b>
	<u>\$ 231,258</u>	<u>\$ 172,482</u>	<u>\$ 214,657</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 11,441	\$ 9,468	\$ 8,366
Distributions payable to unitholders	2,079	1,633	2,076
Current obligations under capital leases	56	166	427
Principal due within one year on long-term debt	205	102	203
	<u>13,781</u>	<u>11,369</u>	<u>11,072</u>
<b>Obligations under capital leases</b>	<b>13</b>	<b>486</b>	<b>38</b>
<b>Long-term debt</b>	<b>54,742</b>	<b>33,316</b>	<b>31,377</b>
<b>Future income taxes</b>	<b>2,420</b>	<b>2,391</b>	<b>5,701</b>
<b>Unitholders' equity</b>			
Capital contributions	201,285	153,609	200,905
Contributed surplus	236	-	-
Cumulative earnings (deficit)	10,546	(2,037)	8,026
Cumulative distributions	(44,973)	(21,379)	(32,505)
Cumulative translation adjustment	(6,792)	(5,273)	(9,957)
	<u>160,302</u>	<u>124,920</u>	<u>166,469</u>
	<u>\$ 231,258</u>	<u>\$ 172,482</u>	<u>\$ 214,657</u>

**ARCTIC GLACIER INCOME FUND**  
**Interim Consolidated Statements of Operations**  
Three and six months ended June 30, 2004 and 2003 (unaudited)

(thousands, except per unit amounts)	<b>Three Months</b>		<b>Six Months</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
<b>Sales</b>	<b>\$ 36,088</b>	\$ 25,615	<b>\$ 47,310</b>	\$ 33,211
Cost of sales, selling, general and administration expenses	<b>25,535</b>	17,298	<b>40,880</b>	28,515
Earnings before the undernoted	<b>10,553</b>	8,317	<b>6,430</b>	4,696
Amortization	<b>3,037</b>	2,385	<b>5,900</b>	4,825
Interest	<b>403</b>	418	<b>716</b>	796
Acquisition integration charges	<b>129</b>	-	<b>232</b>	-
Loss (gain) on disposal of property, plant and equipment	<b>(3)</b>	68	<b>(105)</b>	59
Gain on foreign exchange options	<b>(521)</b>	-	<b>(521)</b>	-
Non-recurring expenses	<b>102</b>	21	<b>109</b>	97
<b>Earnings (loss) before income taxes</b>	<b>7,406</b>	5,425	<b>99</b>	(1,081)
<b>Income taxes</b>				
Current	<b>721</b>	61	<b>939</b>	218
Future (reduction)	<b>1,111</b>	1,305	<b>(3,360)</b>	(2,000)
	<b>1,832</b>	1,366	<b>(2,421)</b>	(1,782)
<b>Earnings for the period</b>	<b>\$ 5,574</b>	\$ 4,059	<b>\$ 2,520</b>	\$ 701
<b>Earnings per unit – basic and diluted</b>	<b>\$ 0.24</b>	\$ 0.26	<b>\$ 0.11</b>	\$ 0.04

**ARCTIC GLACIER INCOME FUND**  
**Interim Consolidated Statements of Cumulative Earnings (Deficit)**  
Three and six months ended June 30, 2004 and 2003 (unaudited)

(thousands)	<b>Three Months</b>		<b>Six Months</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
<b>Cumulative earnings (deficit), beginning of period</b>	<b>\$ 4,972</b>	\$ (6,096)	<b>\$ 8,026</b>	\$ (2,738)
Earnings for the period	<b>5,574</b>	4,059	<b>2,520</b>	701
<b>Cumulative earnings (deficit), end of period</b>	<b>\$ 10,546</b>	\$ (2,037)	<b>\$ 10,546</b>	\$ (2,037)

**ARCTIC GLACIER INCOME FUND**  
**Interim Consolidated Statements of Cash Flows**  
Three and six months ended June 30, 2004 and 2003 (unaudited)

(thousands)	<u>Three Months</u>		<u>Six Months</u>	
	<u>2004</u>	2003	<u>2004</u>	2003
<b>Cash from (used in):</b>				
<b>Operating activities</b>				
Earnings for the period	\$ 5,574	\$ 4,059	\$ 2,520	\$ 701
Adjustments for:				
Amortization	3,037	2,385	5,900	4,825
Gain (loss) on disposal of property, plant and equipment	(3)	68	(105)	59
Unit-based compensation expense	235	-	235	-
Unrealized gain on foreign exchange options	(447)	-	(447)	-
Future income taxes	1,111	1,305	(3,360)	(2,000)
Funds from operations	<u>9,507</u>	7,817	<u>4,743</u>	3,585
Changes in working capital items	<u>(8,043)</u>	(5,078)	<u>(8,778)</u>	(4,197)
	<u>1,464</u>	2,739	<u>(4,035)</u>	(612)
<b>Investing activities</b>				
Additions to property, plant and equipment	(3,896)	(1,983)	(7,147)	(2,998)
Proceeds from disposal of property, plant and equipment	227	22	459	30
Additions to other assets	(224)	(15)	(239)	(43)
Additions to intangibles	-	(1)	-	(3)
Additions to goodwill	(40)	-	(51)	-
Acquisition of business operations	(199)	(5,457)	(9,714)	(6,692)
	<u>(4,132)</u>	(7,434)	<u>(16,692)</u>	(9,706)
<b>Financing activities</b>				
Proceeds from long-term debt	5,424	-	22,666	1,107
Principal repayments on long-term debt	(52)	(13,476)	(108)	(13,603)
Principal payments under capital lease obligations	(317)	(74)	(396)	(151)
Units issued	209	23,658	380	23,658
Cash distributions paid	(6,235)	(4,191)	(12,465)	(8,356)
	<u>(971)</u>	5,917	<u>10,077</u>	2,655
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>	<u>(18)</u>	(492)	<u>93</u>	(904)
<b>Increase (decrease) in cash</b>	<u>(3,657)</u>	730	<u>(10,557)</u>	(8,567)
<b>Cash, beginning of period</b>	<u>4,132</u>	2,622	<u>11,032</u>	11,919
<b>Cash, end of period</b>	<u>\$ 475</u>	<u>\$ 3,352</u>	<u>\$ 475</u>	<u>\$ 3,352</u>
<b>Supplementary cash flow information</b>				
Interest paid	\$ 435	\$ 512	\$ 729	\$ 1,025
Income taxes paid	<u>722</u>	<u>112</u>	<u>940</u>	<u>269</u>

**ARCTIC GLACIER INCOME FUND****Interim Schedule of Distributable Cash**

Three and six months ended June 30, 2004 and 2003 (unaudited)

(thousands, except per unit amounts)	<u>Three Months</u>		<u>Six Months</u>	
	<u>2004</u>	2003	<u>2004</u>	2003
<b>Cash from (used in) operating activities</b>	<b>\$ 1,464</b>	\$ 2,739	<b>\$ (4,035)</b>	\$ (612)
Adjustments:				
Changes in working capital items	<b>8,043</b>	5,078	<b>8,778</b>	4,197
	<b>9,507</b>	7,817	<b>4,743</b>	3,585
Less sustaining capital expenditures, net of dispositions	<b>(1,409)</b>	(1,184)	<b>(2,060)</b>	(1,785)
<b>Distributable cash</b>	<b>\$ 8,098</b>	\$ 6,633	<b>\$ 2,683</b>	\$ 1,800
Weighted average number of units	<b>23,302</b>	15,805	<b>23,293</b>	15,733
<b>Distributable cash per unit</b>	<b>\$ 0.35</b>	\$ 0.42	<b>\$ 0.12</b>	\$ 0.11
Distributions declared	<b>\$ 6,236</b>	\$ 4,427	<b>\$ 12,468</b>	\$ 8,618
Distributions declared per unit	<b>\$ 0.27</b>	\$ 0.27	<b>\$ 0.54</b>	\$ 0.54
Distributions declared per unit (annualized)	<b>\$ 1.07</b>	\$ 1.07	<b>\$ 1.07</b>	\$ 1.07