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# ARCTIC GLACIER INCOME FUND

## **Arctic Glacier Earns \$4.1 Million in Second Quarter**

**WINNIPEG, August 26, 2003** – The Arctic Glacier Income Fund (TSX-AG.UN) today announced financial results for the three-month and six-month periods ended June 30, 2003.

“This was an exceptionally active quarter, characterized by substantial growth in operations and a strengthened financial position,” said Robert Nagy, President and CEO of Arctic Glacier Inc., the fund’s operating company.

“During the quarter we continued to execute our plan for growth, including raising capital, staffing key positions and evaluating acquisition opportunities. In addition, late in June Arctic Glacier completed its first platform acquisition since 1999 in the key market area of metropolitan Philadelphia.”

Product sales marginally improved in spite of poor weather conditions, which strongly influence sales of packaged ice. Several key market areas experienced cooler-than-average temperatures during the second quarter for the second consecutive year. Year-over-year sales in dollar terms decreased due to a strengthening Canadian dollar during the second quarter and the divestiture of non-core operations in 2002.

Given these factors, results for the second quarter were within expectations.

“Year to date figures reflected a similar pattern to the second quarter in sales and EBITDA, with improved sales volumes more than offset by the stronger dollar and divestiture of non-core operations,” said Keith McMahon, Executive Vice President and Chief Financial Officer. “However, substantially reduced interest costs and fewer non-recurring charges this year led to an improved bottom line for the six-month period.”

### **Second Quarter Financial Review**

In spite of poor weather conditions in key markets, product sales increased 2.0 per cent over the second quarter of 2002. However, due to the stronger Canadian dollar and the disposal of non-core operations in Texas in May 2002, sales for the second quarter decreased 5.7 per cent from last year to \$25.6 million.

EBITDA for the quarter was \$8.3 million, a decrease of 8.6 per cent as a result of the stronger Canadian dollar and the disposal of non-core operations in 2002.

Funds generated from operations for the second quarter totaled \$7.8 million, a decrease of 1.0 per cent from the same period last year

Interest expense for the quarter totaled \$418,000, which was 27.0 per cent less than the same quarter last year. The reasons were more favorable pricing of the fund's credit facility and the stronger Canadian dollar, which reduced the Canadian dollar value of interest paid in U.S dollars.

Earnings for the quarter totaled \$4.1 million, off two percent compared with the same period last year. Earnings per unit were \$0.26 in the second quarter in both years.

The fund declared distributions totaling \$0.27 per unit during the quarter, unchanged from the first quarter. Monthly distributions have been leveled to eliminate the impact of seasonal fluctuations on unitholders, and, as a result, distributions declared will not be directly comparable to distributable cash on an interim basis. The sum distributed was \$4.4 million, higher than the \$4.2 million distributed during the first quarter, because of the issue of new equity units in June 2003.

### **Six-month Financial Review**

Sales in the first six months of 2003 totaled \$33.2 million, 7.0 per cent lower than the same period last year. The reasons were a stronger Canadian dollar and the sale of non-core business operations in Texas and western Canada in the first half of 2002.

EBITDA for the first half of the year totaled \$4.7 million, versus \$5.9 million in the first half of 2002 as a result of the stronger Canadian dollar and the divestiture of non-core business operations.

For the six months ended June 30, 2003, funds generated from operations totaled \$3.6 million, compared to \$0.6 million in 2002 as a result of lower interest costs and fewer non-recurring charges.

Interest costs at \$796,000 were very substantially reduced from \$2.8 million in 2002. Non-recurring expenses shrank to \$97,000 from \$1.0 million in the prior year, which included the costs of the Plan of Arrangement.

The combination led to net earnings of \$701,000 or \$0.04 per unit, up from \$369,000 or \$0.02 per unit, in the first half of 2002.

The fund ended the period with a strengthened balance sheet. Long-term debt decreased 34 per cent during the quarter, to \$34.1 million. As a result, the fund's net debt to trailing 12-month EBITDA ratio was 1.3:1 as at June 30, 2003, compared to 2.2:1 at the same time in 2002. Working capital increased to \$11.7 million from \$5.1 million at the end of the first quarter this year.

### **Business Development**

The fund was very active in business development during the second quarter. A principal area of focus was the populous northeastern U.S. Arctic Glacier first penetrated the region in February 2003 with the signing of a licensing agreement with Creed Ice Co. of Vermont. In the second quarter a similar licensing agreement was completed with Getchell Bros. of Maine. In addition, the second quarter saw the fund sign a franchise agreement with Giocondo Brothers Ice Services of Missouri.

Late in the second quarter Arctic Glacier expanded into the metropolitan Philadelphia market with the acquisition of Rosenberger Ice in Pennsylvania. Subsequent to the second quarter, Arctic Glacier signed an agreement to acquire Saxony Ice and Diamond Ice, both in the greater New York City region.

To finance this expansion, Arctic Glacier completed an offering of 2.65 million trust units in June at a price of \$9.50 per unit, for total proceeds of \$25.2 million.

### **Corporate Governance**

In the domain of corporate governance, the fund's board of trustees separated the roles of chairman and CEO by naming James E. Clark as chairman. Mr. Clark formerly served as vice chairman and lead outside director. Gary Filmon, a longtime Arctic Glacier board member, replaced Mr. Clark as vice chairman. Robert Nagy continues as CEO.

“In addition to bringing the fund into line with current standards of corporate governance, from a personal standpoint this change will allow me to focus on the strategic direction and disciplined growth of the fund,” said Mr. Nagy.

“Arctic Glacier has built a solid operational and financial infrastructure from which to grow the company and create value for our unitholders through selective accretive acquisitions in key markets.”

Arctic Glacier will discuss Q2 results for 2003 during a conference call with a live audio webcast for investors and analysts on **Tuesday, August 26 at 11 am (EST)**. To access the simultaneous webcast, please visit Arctic Glacier’s website at [www.arcticglacierinc.com](http://www.arcticglacierinc.com) or CCN Matthew’s website at [www.ccnmatthews.com](http://www.ccnmatthews.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<sup>®</sup> Premium Ice. Arctic Glacier operates 20 production plants and 35 distribution facilities across Canada and the central and northeastern United States servicing approximately 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 18.31 million trust units outstanding.*

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For further information, call Arctic Glacier Inc. TOLL FREE at 1-888-573-9237 or log on at [www.arcticglacierinc.com](http://www.arcticglacierinc.com)

(Signed) On behalf of the Board of Trustees of Arctic Glacier Income Fund,  
Robert Nagy, President & CEO.

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

## Interim Consolidated Balance Sheets

As at June 30, 2003 and 2002 (unaudited) and December 31, 2002 (audited)

<i>(thousands)</i>	June 30, 2003	June 30, 2002	December 31, 2002
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 3,352	\$ -	\$ 11,919
Accounts receivable	12,925	14,964	6,715
Inventories	4,520	3,490	2,377
Prepaid expenses	2,149	1,262	1,212
	<u>22,946</u>	<u>19,716</u>	<u>22,223</u>
<b>Capital assets</b>	<b>72,384</b>	<b>77,828</b>	<b>76,770</b>
<b>Other assets</b>	<b>2,755</b>	<b>3,709</b>	<b>3,107</b>
<b>Intangibles</b>	<b>1,373</b>	<b>1,336</b>	<b>1,370</b>
<b>Goodwill</b>	<b>73,024</b>	<b>77,105</b>	<b>79,468</b>
	<u><u>\$ 172,482</u></u>	<u><u>\$ 179,694</u></u>	<u><u>\$ 182,938</u></u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Bank indebtedness	\$ -	\$ 626	\$ -
Accounts payable and accrued liabilities	9,468	7,960	5,114
Distributions payable to unitholders	1,633	1,370	1,370
Obligations under capital leases due within the fiscal year	166	147	325
Principal due within the fiscal year on long-term debt	102	833	292
	<u>11,369</u>	<u>10,936</u>	<u>7,101</u>
<b>Obligations under capital leases</b>	<b>486</b>	<b>801</b>	<b>478</b>
<b>Long-term debt</b>	<b>33,316</b>	<b>50,517</b>	<b>53,227</b>
<b>Future income taxes</b>	<b>2,391</b>	<b>2,297</b>	<b>4,514</b>
<b>Unitholders' equity</b>			
Capital contributions	153,609	129,947	129,951
Equity portion of convertible debentures	-	1,258	-
Cumulative deficit	(2,037)	(12,188)	(2,738)
Cumulative distributions	(21,379)	(4,540)	(12,761)
Cumulative translation adjustment	(5,273)	666	3,166
	<u>124,920</u>	<u>115,143</u>	<u>117,618</u>
	<u><u>\$ 172,482</u></u>	<u><u>\$ 179,694</u></u>	<u><u>\$ 182,938</u></u>

## Interim Consolidated Statements of Operations

Three and six months ended June 30, 2003 and 2002 (unaudited)

<i>(thousands, except per unit amounts)</i>	<b>Three Months</b>		<b>Six Months</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Sales</b>	\$ 25,615	\$ 27,171	\$ 33,211	\$ 35,705
Cost of sales, selling, general and administration expenses	17,298	18,075	28,515	29,803
Earnings before the undernoted	8,317	9,096	4,696	5,902
Amortization	2,385	2,419	4,825	4,819
Interest	418	573	796	2,752
<b>Earnings (loss) from operations</b>	<b>5,514</b>	<b>6,104</b>	<b>(925)</b>	<b>(1,669)</b>
Gain on settlement of long-term debt	-	-	-	(754)
Loss (gain) on disposal of capital and operating assets and goodwill	68	594	59	(845)
Non-recurring expenses	21	11	97	1,016
<b>Earnings (loss) before income taxes</b>	<b>5,425</b>	<b>5,499</b>	<b>(1,081)</b>	<b>(1,086)</b>
<b>Income tax expense (reduction)</b>				
Current	61	200	218	272
Future	1,305	1,152	(2,000)	(1,727)
	1,366	1,352	(1,782)	(1,455)
<b>Earnings for the period</b>	<b>\$ 4,059</b>	<b>\$ 4,147</b>	<b>\$ 701</b>	<b>\$ 369</b>
<b>Earnings per unit – basic and diluted</b>	<b>\$ 0.26</b>	<b>\$ 0.26</b>	<b>\$ 0.04</b>	<b>\$ 0.02</b>

## Interim Consolidated Statements of Deficit

Three and six months ended June 30, 2003 and 2002 (unaudited)

<i>(thousands)</i>	<b>Three Months</b>		<b>Six Months</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Deficit, beginning of period</b>	\$ (6,096)	\$ (14,310)	\$ (2,738)	\$ (7,063)
Restatement due to change in accounting policy regarding goodwill	-	(2,010)	-	(2,010)
<b>As restated</b>	<b>(6,096)</b>	<b>(16,320)</b>	<b>(2,738)</b>	<b>(9,073)</b>
Earnings for the period	4,059	4,147	701	369
Interest on equity portion of convertible debentures	-	(15)	-	(89)
Settlement of warrants	-	-	-	(3,395)
<b>Deficit, end of period</b>	<b>\$ (2,037)</b>	<b>\$ (12,188)</b>	<b>\$ (2,037)</b>	<b>\$ (12,188)</b>

## Interim Consolidated Statements of Cash Flows

Three and six months ended June 30, 2003 and 2002 (unaudited)

<i>(thousands)</i>	<u>Three Months</u>		<u>Six Months</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b>Cash from (used in):</b>				
<b>Operating activities</b>				
Earnings for the period	\$ 4,059	\$ 4,147	\$ 701	\$ 369
Adjustments for:				
Amortization	2,385	2,419	4,825	4,819
Non-cash portion of gain on settlement of long-term debt	-	-	-	(1,609)
Non-cash portion of loss (gain) on disposal of capital assets and goodwill	68	185	59	(1,254)
Future income taxes	1,305	1,152	(2,000)	(1,727)
Funds from operations	7,817	7,903	3,585	598
Changes in working capital items	(5,078)	(9,719)	(4,197)	(6,337)
	<u>2,739</u>	<u>(1,816)</u>	<u>(612)</u>	<u>(5,739)</u>
<b>Investing activities</b>				
Additions to capital assets	(1,983)	(1,706)	(2,998)	(2,161)
Proceeds from disposal of capital assets and goodwill	22	1,029	30	3,355
Additions to other assets	(15)	(40)	(43)	(1,963)
Additions to intangibles	(1)	-	(3)	-
Acquisition of business operations	(5,457)	-	(6,692)	-
	<u>(7,434)</u>	<u>(717)</u>	<u>(9,706)</u>	<u>(769)</u>
<b>Financing activities</b>				
Proceeds from long-term debt	-	808	1,107	52,420
Principal repayments on long-term debt	(13,476)	(389)	(13,603)	(117,236)
Principal payments under capital lease obligations	(74)	(74)	(151)	(147)
Interest on equity portion of convertible debentures	-	(27)	-	(150)
Shares issued on exercise of options	-	-	-	600
Units issued, net of issue costs	23,658	(8)	23,658	79,113
Cancellation of warrants	-	-	-	(7,049)
Cash distributions paid	(4,191)	(3,170)	(8,356)	(3,170)
	<u>5,917</u>	<u>(2,860)</u>	<u>2,655</u>	<u>4,381</u>
Foreign exchange loss on cash held in foreign currency	(492)	(446)	(904)	(445)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>730</b>	<b>(5,839)</b>	<b>(8,567)</b>	<b>(2,572)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,622</b>	<b>5,213</b>	<b>11,919</b>	<b>1,946</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,352</b>	<b>\$ (626)</b>	<b>\$ 3,352</b>	<b>\$ (626)</b>

## Schedule of Distributable Cash

Three and six months ended June 30, 2003 and 2002 (unaudited)

<i>(thousands, except per unit amounts)</i>	<b>Three Months</b>		<b>Six Months</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
Net earnings	\$ 4,059	\$ 4,147	\$ 701	\$ 369
Net earnings adjustments:				
Amortization	2,385	2,419	4,825	4,819
Gain on settlement of long-term debt				(754)
Loss (gain) on disposal of capital and operating assets and goodwill	68	594	59	(845)
Future income taxes	1,305	1,152	(2,000)	(1,727)
	<u>7,817</u>	<u>8,312</u>	<u>3,585</u>	<u>1,862</u>
Less sustaining capital expenditures, net of dispositions	(1,184)	(1,497)	(1,785)	(1,876)
Distributable cash (deficiency) before pro-forma adjustments	<u>6,633</u>	<u>6,815</u>	<u>1,800</u>	<u>(14)</u>
Pro-forma adjustments:				
Reduction of interest expense to reflect income fund structure before March 22, 2002 <sup>(1)</sup>	-	-	-	1,572
Remove Plan of Arrangement costs <sup>(2)</sup>	-	38	-	781
<b>Distributable cash <sup>(3)</sup></b>	<u>\$ 6,633</u>	<u>\$ 6,853</u>	<u>\$ 1,800</u>	<u>\$ 2,339</u>
<b>Distributable cash per unit <sup>(4)</sup></b>	<u>\$ 0.42</u>	<u>\$ 0.44</u>	<u>\$ 0.11</u>	<u>\$ 0.15</u>
<b>Distributions declared</b>	\$ 4,427	\$ 4,540	\$ 8,618	\$ 4,540
<b>Distributions declared per unit</b>	\$ 0.27	\$0.29 <sup>(5)</sup>	\$ 0.54	\$ 0.29 <sup>(5)</sup>
<b>Distributions declared per unit (annualized)</b>	\$ 1.07	\$ 1.05	\$ 1.07	\$ 1.05

<sup>(1)</sup> Reduction of interest expense during the period January 1, 2002 to March 22, 2002 to give effect to the completion of the IPO, acquisition of The Arctic Group Inc. and repayment and refinancing of certain long-term debt instruments as if they had occurred on or before January 1, 2002.

<sup>(2)</sup> Reduction of non-recurring costs related to the Plan of Arrangement of March 22, 2002.

<sup>(3)</sup> Comparative figure for the three and six months ended June 30, 2002 represents pro-forma distributable cash.

<sup>(4)</sup> Comparative figure for the three and six months ended June 30, 2002 represents pro-forma distributable cash per unit, and is based on 15,655,656 units, being the pro-forma weighted average number of units outstanding during the year ended December 31, 2002.

<sup>(5)</sup> Includes initial distribution for 40 day period from March 22, 2002 to April 30, 2002.