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# ARCTIC GLACIER INCOME FUND

## Arctic Glacier Posts Record Second Quarter Results

### *Acquisitions in California, New York, Wisconsin Fuel Gains*

WINNIPEG, August 14, 2006 – The Arctic Glacier Income Fund (TSX-AG.UN) today announced record results for the three months ended June 30, 2006.

#### Highlights

- Increased sales by \$13.2 million or 28%
- Increased EBITDA by \$5.5 million or 36%
- Increased earnings by \$2.6 million or 41%
- Increased distributable cash by \$4.5 million or 39%
- Acquired initial four of six companies comprising California Ice, the largest packaged ice enterprise in the state
- Acquired Happy Ice of Fairport, New York
- Completed construction of new production plant near Milwaukee
- Opened new distribution center near Philadelphia

“Arctic Glacier’s growth initiatives since mid-2005 powered all of the Fund’s principal metrics to record highs in the second quarter of 2006,” said Robert Nagy, President and CEO of Arctic Glacier Inc., the Fund’s operating company. “During the quarter we also continued to make progress rationalizing and integrating operations acquired in the Northeastern U.S., Michigan and Wisconsin.”

The most significant event during the quarter was the acquisition of California Ice. The US\$190 million acquisition, announced May 9, is the largest transaction in the company’s history. The first closing on May 25 completed the acquisition of four of the six companies comprising California Ice, with the remaining two companies acquired in the final closing subsequent to the second quarter on August 8.

In addition, Arctic Glacier completed the acquisition of Happy Ice LLC of Fairport, New York on June 15. The company is the leading provider of packaged ice in upstate New York, and the transaction further consolidates Arctic Glacier’s market leadership throughout the northeastern U.S.

“Arctic Glacier’s acquisitions in California and New York, as well as in Wisconsin last September, have greatly enlarged our scale of operations, set new performance benchmarks and enhanced unitholder value,” said Keith McMahon, Executive Vice President and Chief Financial Officer of Arctic Glacier. “The second-quarter results

clearly indicate the accretive nature of the acquisitions and point to higher results expected in the third quarter.”

During the second quarter Arctic Glacier continued to rationalize and integrate operations. Construction was completed on a new production facility near Milwaukee, Wisconsin and a new distribution center was opened north of Philadelphia, Pennsylvania.

### **Second Quarter Financial Review**

Sales in the second quarter of 2006 totaled \$60.5 million, an increase of \$13.2 million or 28% from the same period in 2005. The increase was primarily attributable to recent acquisitions completed by the Fund.

Sales in previously serviced markets moved up by \$2.5 million or 6% from the second quarter of last year, partly as a result of increased volumes and more favorable pricing. These sales improvements were partially offset by the stronger Canadian dollar, which reduced sales in previously serviced markets by \$3.6 million. For the first six months of 2006, sales advanced 23% over 2005 to \$75.1 million.

EBITDA during the quarter was \$20.5 million, an increase of \$5.5 million or 36% from the same period last year. Of the total increase, California Ice, Hometown Ice and Happy Ice contributed \$6.5 million, while EBITDA for previously serviced operations increased by \$0.2 million or 2% over last year's levels. These gains were partly offset by the stronger Canadian dollar, which reduced EBITDA by \$1.2 million. The first six months of 2006 saw EBITDA jump by 62% to \$16.2 million.

Earnings for the quarter totaled \$8.9 million or \$0.30 per unit, compared to \$6.3 million or \$0.16 per unit, for the same period in 2005. For the half year, the total earnings were \$4.6 million, an increase of \$4.0 million over 2005. Earnings per unit moved up to \$0.16 from \$0.03 in the first six months of last year.

Accretive acquisitions resulted in a 39% increase in distributable cash, to \$16.2 million during the quarter. On a per-unit basis that was \$0.54, compared to \$0.50 in the second quarter of 2005. The first half of 2006 saw distributable cash increase to \$9.5 million or \$0.33 per unit from \$3.8 million or \$0.16 per unit last year.

The Fund declared distributions to unitholders totaling \$8.5 million during the quarter, up 33% from 2005. That equates to \$0.28 per unit for the second quarter in both years. The Fund's current monthly distribution rate of \$0.0917 per unit, set in March 2005, equates to an annualized distribution rate of \$1.10 per unit.

The Fund expects to continue generating sufficient cash in 2006 to exceed the current distribution rate.

## Financial Position

The Fund had net long-term debt (excluding convertible debentures) at June 30, 2006 of \$139.7 million, resulting in a net debt to trailing 12-month EBITDA ratio of 2.1 to 1, down from 3.3:1 last year. These ratios reflect an increase to trailing EBITDA of \$19.0 million (\$6.9 million for the 12 months ended June 30, 2005) to give effect to the contribution of acquisitions and foreign currency option gains. Arctic Glacier expects to maintain the net debt to trailing EBITDA ratio to levels within the Fund's internal guideline of 2.25:1.

At June 30, 2006 the Fund had \$54.4 million of credit available under a revolving term facility.

## Strong Outlook

Arctic Glacier's growth strategy continues to achieve positive results. Strategic acquisitions have opened up new market areas and added to coverage of existing markets. Rising distributable cash per unit confirms the accretive nature of these acquisitions and underlines the effectiveness of the Fund's strategic direction.

As new expansion possibilities are investigated, post-acquisition gains are being achieved through ongoing rationalization and integration of operations. Arctic Glacier made significant progress during the first six months of 2006, and these initiatives will continue for the balance of the year and in 2007. During the course of these activities, the Fund will actively seek to reduce costs and enhance productivity growth by improving production processes, distribution networks and administrative infrastructure.

Arctic Glacier is a strong and competitive force across all its markets. Acquisitions have added to Arctic Glacier's leading market position, enabled operating synergies and created opportunities for continued expansion. As rationalization and integration measures proceed, management will continue to strategically examine opportunities to build further value for unitholders.

Arctic Glacier will discuss second quarter 2006 results during a conference call with a live audio webcast for investors and analysts on **Tuesday, August 15 at 11 a.m. (EDT)**. To access the simultaneous webcast, please visit Arctic Glacier's website at [www.arcticglacierinc.com](http://www.arcticglacierinc.com). Please note the webcast allows participants to listen only.

*Arctic Glacier Income Fund, through its operating company, Arctic Glacier Inc., is a leading producer, marketer and distributor of high-quality packaged ice in North America under the brand name of Arctic Glacier® Premium Ice. Arctic Glacier operates 35 production plants and 50 distribution facilities across Canada and the*

*northeast, central and western United States, servicing more than 68,000 retail accounts.*

*Arctic Glacier Income Fund trust units are listed on the Toronto Stock Exchange under the trading symbol AG.UN. There are 32.6 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 measures that are not recognized by Canadian generally accepted accounting principles (GAAP) and do not have standardized meanings prescribed by GAAP. EBITDA and distributable cash should not be construed as alternatives to earning, cash from operations or other financial measures determined in accordance with GAAP as indicators of the Fund's performance. The Fund's method of calculating EBITDA and distributable cash may differ from other companies and income trusts and, accordingly, may not be comparable to measures used by them.

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### **Contact Information**

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

As at June 30, 2006 and 2005 and December 31, 2005 (unaudited)

(thousands)	June 30, 2006	June 30, 2005	December 31, 2005
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 4,882	\$ -	\$ 6,313
Accounts receivable	33,577	21,297	8,569
Inventories	12,347	7,494	6,012
Prepaid expenses	4,279	3,263	2,381
	<u>55,085</u>	<u>32,054</u>	<u>23,275</u>
<b>Property, plant and equipment</b>	<b>155,034</b>	<b>123,717</b>	<b>119,847</b>
<b>Investments</b>	<b>515</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>	<b>8,776</b>	<b>3,359</b>	<b>2,714</b>
<b>Intangible assets</b>	<b>127,862</b>	<b>24,973</b>	<b>24,782</b>
<b>Goodwill</b>	<b>170,333</b>	<b>107,851</b>	<b>106,899</b>
	<u>\$ 517,605</u>	<u>\$ 291,954</u>	<u>\$ 277,517</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Bank indebtedness	\$ -	\$ 9,133	\$ -
Accounts payable and accrued liabilities	39,168	17,720	9,269
Distributions payable to unitholders	2,989	2,145	2,557
Current portion of payable to vendors of acquired assets	1,618	-	1,686
Current obligations under capital leases	-	13	-
Principal due within one year on long-term debt	1,155	520	400
	<u>44,930</u>	<u>29,531</u>	<u>13,912</u>
<b>Payable to vendors of acquired assets</b>	<b>8,591</b>	<b>-</b>	<b>1,686</b>
<b>Long-term debt</b>	<b>143,405</b>	<b>116,404</b>	<b>70,743</b>
<b>Convertible debentures</b>	<b>89,999</b>	<b>-</b>	<b>-</b>
<b>Future income taxes</b>	<b>4,733</b>	<b>6,156</b>	<b>7,920</b>
<b>Unitholders' equity</b>			
Capital contributions	297,019	202,212	249,747
Contributed surplus	775	624	723
Equity portion of convertible debentures	10,161	-	-
Cumulative translation adjustment	(23,957)	(15,719)	(20,782)
Accumulated deficit	(58,051)	(47,254)	(46,432)
	<u>225,947</u>	<u>139,863</u>	<u>183,256</u>
	<u>\$ 517,605</u>	<u>\$ 291,954</u>	<u>\$ 277,517</u>

**ARCTIC GLACIER INCOME FUND****Interim Consolidated Statements of Operations**

Three and six months ended June 30, 2006 and 2005 (unaudited)

(thousands, except per unit amounts)	<b>Three Months</b>		<b>Six Months</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
<b>Sales</b>	<b>\$ 60,464</b>	\$ 47,275	<b>\$ 75,126</b>	\$ 61,084
Cost of sales, selling, general and administration expenses	<b>39,926</b>	32,189	<b>58,957</b>	51,087
Earnings before the undernoted	<b>20,538</b>	15,086	<b>16,169</b>	9,997
Amortization	<b>5,507</b>	4,517	<b>10,114</b>	8,970
Interest	<b>2,494</b>	2,157	<b>3,594</b>	3,619
Acquisition integration expenses	<b>173</b>	187	<b>287</b>	479
Loss (gain) on disposal of property, plant and equipment	<b>(115)</b>	24	<b>(126)</b>	4
Loss (gain) on foreign exchange options	<b>(464)</b>	231	<b>(273)</b>	361
Debt settlement costs	<b>751</b>	-	<b>751</b>	-
<b>Earnings (loss) before income taxes</b>	<b>12,192</b>	7,970	<b>1,822</b>	(3,436)
<b>Income tax expense</b>				
Current	<b>258</b>	138	<b>340</b>	349
Future (reduction)	<b>2,989</b>	1,500	<b>(3,113)</b>	(4,410)
	<b>3,247</b>	1,638	<b>(2,773)</b>	(4,061)
<b>Earnings for the period</b>	<b>\$ 8,945</b>	\$ 6,332	<b>\$ 4,595</b>	\$ 625
<b>Earnings per unit – basic and diluted</b>	<b>\$ 0.30</b>	\$ 0.27	<b>\$ 0.16</b>	\$ 0.03

**ARCTIC GLACIER INCOME FUND****Interim Consolidated Statements of Accumulated Deficit**

Three and six months ended June 30, 2006 and 2005 (unaudited)

(thousands)	<b>Three Months</b>		<b>Six Months</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
<b>Accumulated deficit, beginning of period</b>	<b>\$ (58,458)</b>	\$ (47,152)	<b>\$ (46,432)</b>	\$ (35,135)
Earnings for the period	<b>8,945</b>	6,332	<b>4,595</b>	625
Distributions declared	<b>(8,538)</b>	(6,434)	<b>(16,214)</b>	(12,744)
<b>Accumulated deficit, end of period</b>	<b>\$ (58,051)</b>	\$ (47,254)	<b>\$ (58,051)</b>	\$ (47,254)

**ARCTIC GLACIER INCOME FUND****Interim Consolidated Statements of Cash Flows**

Three and six months ended June 30, 2006 and 2005 (unaudited)

(thousands)	Three Months		Six Months	
	2006	2005	2006	2005
<b>Cash from (used in):</b>				
<b>Operating activities</b>				
Earnings for the period	\$ 8,945	\$ 6,332	\$ 4,595	\$ 625
Adjustments for:				
Amortization	5,507	4,517	10,114	8,970
Accretion of convertible debenture principal and payable to vendors of acquired assets	160	-	160	-
Non-cash portion of debt settlement costs	751	-	751	-
Loss (gain) on disposal of property, plant and equipment	(115)	24	(126)	4
Unit-based compensation	20	56	52	290
Unrealized loss (gain) on foreign exchange options	(411)	196	(220)	326
Future income taxes	2,989	1,500	(3,113)	(4,410)
Funds from operations	17,846	12,625	12,213	5,805
Changes in working capital items	2,593	(7,821)	340	(10,997)
	<b>20,439</b>	<b>4,804</b>	<b>12,553</b>	<b>(5,192)</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(8,328)	(4,321)	(12,383)	(8,732)
Proceeds from disposal of property, plant and equipment	456	95	527	207
Additions to other assets	(7,551)	(4)	(7,551)	(212)
Acquisition of business operations	(196,991)	-	(197,266)	-
	<b>(212,414)</b>	<b>(4,230)</b>	<b>(216,673)</b>	<b>(8,737)</b>
<b>Financing activities</b>				
Proceeds from long-term debt	57,664	-	73,742	2,318
Principal repayments on long-term debt	(83)	(131)	(327)	(265)
Principal payments under capital lease obligations	-	(12)	-	(24)
Payments of amounts due to vendors	(1,621)	-	(1,621)	-
Convertible debentures issued	100,000	-	100,000	-
Units issued	47,094	273	47,272	490
Cash distributions paid	(8,108)	(6,432)	(15,782)	(12,682)
	<b>194,946</b>	<b>(6,302)</b>	<b>203,284</b>	<b>(10,163)</b>
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>	<b>(719)</b>	<b>(27)</b>	<b>(595)</b>	<b>204</b>
<b>Increase (decrease) in cash</b>	<b>2,252</b>	<b>(5,755)</b>	<b>(1,431)</b>	<b>(23,888)</b>
<b>Cash (bank indebtedness), beginning of period</b>	<b>2,630</b>	<b>(3,378)</b>	<b>6,313</b>	<b>14,755</b>
<b>Cash (bank indebtedness), end of period</b>	<b>\$ 4,882</b>	<b>\$ (9,133)</b>	<b>\$ 4,882</b>	<b>\$ (9,133)</b>

Supplementary cash flow information

Interest paid	\$ 1,487	\$ 1,724	\$ 2,702	\$ 2,599
Income taxes paid	<u>259</u>	<u>138</u>	<u>340</u>	<u>349</u>

The net present value of the portion of the purchase price or additional consideration on acquisitions of business operations satisfied by the issuance of deferred consideration in the amount of \$8,485 (2005 - \$nil) has been excluded from the financing and investing activities.

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

Three and six months ended June 30, 2006 and 2005 (unaudited)

(thousands, except per unit amounts)	<b>Three Months</b>		<b>Six Months</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
Cash from operating activities	<b>\$ 20,439</b>	\$ 4,804	<b>\$ 12,553</b>	\$ (5,192)
Adjustments:				
Changes in working capital items	<b>(2,593)</b>	7,821	<b>(340)</b>	10,997
	<b>17,846</b>	12,625	<b>12,213</b>	5,805
Less sustaining capital expenditures, net of dispositions	<b>(1,687)</b>	(1,001)	<b>(2,668)</b>	(2,054)
<b>Distributable cash</b>	<b>\$ 16,159</b>	\$ 11,624	<b>\$ 9,545</b>	\$ 3,751
Weighted average number of units	<b>29,817.7</b>	23,384.0	<b>28,863.1</b>	23,371.9
<b>Distributable cash per unit</b>	<b>\$ 0.54</b>	\$ 0.50	<b>\$ 0.33</b>	\$ 0.16
Distributions declared	<b>\$ 8,538</b>	\$ 6,434	<b>\$ 16,214</b>	\$ 12,744
Distributions declared per unit	<b>\$ 0.28</b>	\$ 0.28	<b>\$ 0.55</b>	\$ 0.55
Distributions declared per unit (annualized)	<b>\$ 1.10</b>	\$ 1.10	<b>\$ 1.10</b>	\$ 1.09