
ARCTIC GLACIER INCOME FUND

Arctic Glacier Posts Second Quarter Results

Distribution Rate Temporarily Reduced To \$0.90 Per Unit Annualized

WINNIPEG – August 12, 2008 – Arctic Glacier Income Fund (TSX:AG.UN) today announced results for the second quarter ended June 30, 2008. The Fund concurrently announced a temporary reduction in the rate of monthly cash distributions to unitholders.

Summary

- Acquired operations of Koldkist Ice in Portland, OR
- Implemented technology improvements at Koldkist Ice
- Constructed new distribution centre in Raritan, NJ
- Expanded cold storage facility in Fresno, CA
- Completed efficiency improvements to manufacturing plants acquired in 2007 located in Lansing, MI and Barstow, CA
- Increased revolving term credit by US\$26 M to US\$161 M
- Commencing in August, distributions reduced to annual rate of \$0.90 per unit from \$1.10

“During the second quarter, Arctic Glacier advanced the Fund’s growth strategy by completing a platform acquisition and initiating a number of rationalization and integration measures,” said Keith McMahon, President and CEO of Arctic Glacier Inc., the Fund’s operating company. “By acquiring the operations of Koldkist Ice in Portland, Oregon, Arctic Glacier expanded market coverage northward from California and created a new platform for future growth in the Pacific Northwest.”

Integration and rationalization of acquired operations included installation of technology improvements at Koldkist Ice; construction of a new distribution facility in Raritan, New Jersey; expansion of cold storage space in Fresno, California and improvements to manufacturing plants in Lansing, Michigan and Barstow, California.

“Arctic Glacier gains a number of benefits from the rationalization and integration of acquired operations,” said Doug Bailey, the Fund’s Chief Financial Officer. “The short-term gain consists of cost savings, and over the longer term we increase productivity, harness synergies and improve margins.”

Second Quarter 2008 Review

Sales in the second quarter totaled \$77.6 million, a decrease of \$2.2 million or 3% compared to the same period in 2007. The reduction was entirely attributable to the stronger Canadian dollar, which reduced sales by \$4.7 million. Absent the stronger dollar, sales were up by \$2.5 million or 4%, largely due to operations acquired during the second half of 2007 and the first half of 2008. These acquisitions contributed \$2.4 million to the second-quarter total, while sales in previously serviced markets increased by 1% as a result of higher pricing, partially offset by less than

favorable weather in certain markets. For the first six months of 2008, sales decreased 4% to \$101.9 million due to the stronger Canadian dollar, which reduced sales by \$8.0 million. Excluding the effect of the stronger dollar, sales were up 3%, driven by a \$3.5 million contribution from acquisitions and \$0.2 million from previously serviced markets.

The cost of sales, selling, general and administrative expenses increased 2% to \$53.4 million. The change was mainly due to increased fuel costs and recent acquisitions, partially offset by the stronger Canadian dollar. For the six-month period, SG&A was down by \$0.3 million to \$84.8 million.

EBITDA during the second quarter decreased by 11% to \$24.2 million. Poor spring weather and higher fuel costs resulted in a decrease in EBITDA in previously serviced markets of \$2.3 million and the stronger Canadian dollar reduced EBITDA by \$1.5 million. Recently acquired operations contributed EBITDA of \$0.7 million in the quarter. Six-month EBITDA moved down 19% to \$17.1 million. EBITDA in previously serviced markets decreased by \$3.2 million due to poor spring weather and higher fuel costs and the stronger Canadian dollar reduced EBITDA by \$1.0 million. These decreases are offset by a contribution from recent acquisitions of \$0.2 million.

The costs and related expenses of the previously announced investigation into the U.S. packaged ice industry by the Antitrust Division of the U.S. Department of Justice totaled \$2.1 million for the second quarter, bringing the total for the first six months of 2008 to \$3.1 million.

Net income for the second quarter totaled \$7.8 million, compared to \$11.7 million in the same quarter of 2007. On a per unit basis, that equated to \$0.20 (basic and diluted), versus \$0.30 (basic) and \$0.29 (diluted) for the same period last year. The change was due to costs related to the antitrust investigation, as well as reduced EBITDA caused by unfavorable weather, higher fuel costs and the stronger Canadian dollar. For the first six months of 2008, net loss was \$4.6 million or \$0.12 (basic and diluted), compared to earnings of \$0.8 million or \$0.02 (basic and diluted) last year.

Excluding the costs of the antitrust investigation and related expenses, distributable cash totaled \$16.9 million or \$0.43 per unit for the second quarter of 2008, compared to \$18.5 million or \$0.48 per unit in 2007. The decrease was due to the same reasons as net income (above). Six-month distributable cash excluding the costs of the antitrust investigation and related expenses was \$4.6 million or \$0.12 per unit, versus \$5.8 million or \$0.15 per unit for the same period in 2007. Including the costs of the antitrust investigation and related expenses, distributable cash totaled \$14.8 million or \$0.38 per unit (basic and diluted) for the second quarter of 2008 and \$1.5 million or \$0.04 per unit for the six months ended June 30, 2008.

The Fund declared distributions to unitholders totaling \$10.7 million during the quarter, up from \$10.6 million in 2007. That equates to \$0.28 per unit for the second quarter in both years.

Distribution Rate Reduced

“Arctic Glacier’s increasing cost base in the context of current economic conditions led the Fund to examine its ability to finance operations while paying monthly distributions at current levels,” said Mr. McMahon. “In particular, legal costs of the antitrust investigation in the United States

and related expenses have increased to significant levels. These outlays are ongoing and are difficult to quantify. In addition, the slowing economy, coupled with fuel costs at historic highs is creating unprecedented economic conditions that are likely to dampen consumer purchasing, which may reduce Arctic Glacier's sales volumes."

In view of these considerations, the Trustees of the Fund have deemed it prudent to temporarily reduce the Fund's level of distributions. Effective with the August 2008 distribution payable on September 15, 2008, monthly cash distributions will be reduced by 18% to \$0.0750 per unit or \$0.90 on an annualized basis from \$0.0917 per unit or \$1.10 annualized.

The Trustees believe this measure will better position the Fund to adjust to changing financial circumstances and enhance unitholder value over the long term.

Financial Position

As at June 30, 2008, Arctic Glacier's total long-term debt, excluding convertible debentures, was \$213.4 million, compared to \$177.4 million at the same time last year.

The Fund's net debt to EBITDA ratio at end of the quarter was 3.1:1 (after adjusting EBITDA by \$4.7 million to reflect the trailing 12-month contribution of acquisitions and the realized gain on foreign currency contracts). That compares to 2.1:1 at December 31, 2007 (after a similar adjustment to EBITDA of \$2.6 million). The first and second quarter ratios are typically higher due to seasonal operating requirements, while the third and fourth quarter ratios are typically lower.

At June 30, 2008, the Fund's credit facilities were comprised of a US\$60 million senior note facility and a US\$161 million revolving term credit facility. The size of the revolving term credit facility was increased by US\$26 million in the second quarter and certain quarterly leverage covenants were amended to finance the acquisition of operations of Koldkist Ice and related transaction costs, future acquisitions and growth capital expenditures.

Outlook

The acquisition of Koldkist Ice of Portland, Oregon during the second quarter adds US\$8.5 million in annual revenues, substantially expands Arctic Glacier's market coverage northward from California and creates a strategic new platform for further penetration in the Pacific Northwest. Rationalization and integration activities undertaken during the second quarter further improve the financial contributions from Koldkist Ice and several other recent acquisitions.

The strong Canadian dollar has continued to have a negative effect on the Fund's income statement and distributable cash. Conversely, the dollar's appreciation can be beneficial in the domain of acquisitions in that it reduces the investment required to acquire U.S. operations.

"Arctic Glacier is taking steps to mitigate rising costs, especially in the category of fuel," said Mr. McMahon. "We have adjusted pricing and continue to pay close attention to expenses in all areas. During the second quarter we began deferring or cancelling planned outlays for certain non-essential sustaining capital expenditures."

Arctic Glacier is continuing to cooperate fully with the ongoing investigation being conducted by the Antitrust Division of the U.S. Department of Justice into possible antitrust violations in the packaged ice industry in the United States.

The Fund has implemented decisive measures to address a changing economic environment and the costs of the industry antitrust investigation. As it does so, Arctic Glacier's profitable operations, expanding market coverage, comprehensive rationalization activities and lean management structure will continue to enable the Fund to pay monthly distributions to unitholders, while generating future value for unitholders.

About Arctic Glacier

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, primarily under the brand name of Arctic Glacier® Premium Ice. Arctic Glacier operates 38 production plants and 51 distribution facilities across Canada and the northeast, central and western United States servicing more than 75,000 retail accounts.

Arctic Glacier Income Fund trust units are listed on the Toronto Stock Exchange under the trading symbol AG.UN. There are 38.9 million trust units outstanding.

Conference Call and Webcast

Arctic Glacier will discuss second quarter 2008 results during a conference call with a live audio webcast for investors and analysts on **Tuesday, August 12 at 11 a.m. (EDT)**. To access the simultaneous webcast, log on to Arctic Glacier's website at www.arcticglacierinc.com. Please note the webcast allows participants to listen only.

Forward-Looking Statements

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.

Non-GAAP measures

EBITDA and distributable cash are not recognized measures under Canadian generally accepted accounting principles (GAAP). EBITDA is defined as earnings before interest, taxes, depreciation, amortization, acquisition integration charges, gains or losses on foreign exchange

and other non-recurring expenses. EBITDA is a performance measure used by management 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 management 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 earnings, cash from operating activities 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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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, 2008 and 2007 (unaudited) and December 31, 2007 (audited)

(thousands)	June 30, 2008	June 30, 2007	December 31, 2007
ASSETS			
Current assets			
Cash	\$ 1,934	\$ 2,962	\$ 4,645
Accounts receivable	35,032	36,290	13,182
Inventories	15,184	15,178	11,797
Prepaid expenses	6,412	5,552	4,693
	<u>58,562</u>	<u>59,982</u>	<u>34,317</u>
Future income taxes	5,642	1,205	-
Property, plant and equipment	163,486	160,710	156,099
Investments	834	871	811
Other assets	70	155	113
Intangible assets	139,130	143,343	132,173
Goodwill	184,218	182,044	172,973
	<u>\$ 551,942</u>	<u>\$ 548,310</u>	<u>\$ 496,486</u>
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	\$ 35,913	\$ 30,289	\$ 24,972
Distributions payable to unitholders	3,575	3,544	3,569
Principal due within one year on long-term debt	1,767	14,381	3,165
	<u>41,255</u>	<u>48,214</u>	<u>31,706</u>
Long-term debt	211,598	162,995	147,123
Convertible debentures	81,541	81,448	80,302
Future income taxes	-	-	2,790
Unitholders' equity			
Units	375,067	371,215	374,433
Contributed surplus	1,270	927	1,069
Equity portion of convertible debentures	9,206	9,484	9,206
Deficit	(112,182)	(84,371)	(86,109)
Accumulated other comprehensive loss	(55,813)	(41,602)	(64,034)
	<u>217,548</u>	<u>255,653</u>	<u>234,565</u>
	<u>\$ 551,942</u>	<u>\$ 548,310</u>	<u>\$ 496,486</u>

ARCTIC GLACIER INCOME FUND
Interim Consolidated Statements of Operations

Three months and six months ended June 30, 2008 and 2007 (unaudited)

(thousands, except per unit amounts)	Three Months		Six Months	
	2008	2007	2008	2007
Sales	\$ 77,637	\$ 79,792	\$101,872	\$ 106,170
Cost of sales, selling, general and administration expenses	53,411	52,541	84,797	85,108
Earnings before the undernoted	24,226	27,251	17,075	21,062
Amortization	7,698	7,848	15,225	15,669
Interest	4,580	4,831	10,473	9,864
Acquisition integration charges	111	114	207	578
Loss (gain) on disposal of property, plant and equipment	10	12	(30)	(124)
Loss (gain) on foreign exchange	(220)	(1,727)	711	(1,929)
Non-recurring expenses	-	1,032	-	1,032
Costs of antitrust investigation and related expenses	2,085	-	3,087	-
Earnings (loss) before income taxes	9,962	15,141	(12,598)	(4,028)
Income taxes				
Current	198	270	357	487
Future (reduction)	1,928	3,141	(8,312)	(5,304)
	2,126	3,411	(7,955)	(4,817)
Earnings (loss) for the period	\$ 7,836	\$ 11,730	\$ (4,643)	\$ 789
Earnings (loss) per unit				
Basic	\$ 0.20	\$ 0.30	\$ (0.12)	\$ 0.02
Diluted	\$ 0.20	\$ 0.29	\$ (0.12)	\$ 0.02

ARCTIC GLACIER INCOME FUND
Interim Consolidated Statements of Changes in Unitholders' Equity
Three months and six months ended June 30, 2008 and 2007 (unaudited)

(thousands)	Three Months		Six Months	
	2008	2007	2008	2007
Units				
Balance, beginning of period	\$ 374,727	\$ 369,739	\$ 374,433	\$303,176
Units issued, net of issue costs	340	1,476	634	68,039
Balance, end of period	<u>375,067</u>	<u>371,215</u>	<u>375,067</u>	<u>371,215</u>
Contributed surplus				
Balance, beginning of period	1,169	889	1,069	815
Unit-based compensation expense	101	75	201	149
Unit options exercised	-	(37)	-	(37)
Balance, end of period	<u>1,270</u>	<u>927</u>	<u>1,270</u>	<u>927</u>
Equity portion of convertible debentures				
Balance, beginning of period	9,206	9,564	9,206	9,566
Conversion of convertible debentures	-	(80)	-	(82)
Balance, end of period	<u>9,206</u>	<u>9,484</u>	<u>9,206</u>	<u>9,484</u>
Deficit				
Balance, beginning of period	(109,298)	(85,492)	(86,109)	(64,456)
Earnings (loss) for the period	7,836	11,730	(4,643)	789
Distributions declared	(10,720)	(10,609)	(21,430)	(20,704)
Balance, end of period	<u>(112,182)</u>	<u>(84,371)</u>	<u>(112,182)</u>	<u>(84,371)</u>
Accumulated other comprehensive loss				
Balance, beginning of period	(53,993)	(16,484)	(64,034)	(12,938)
Other comprehensive income (loss)	(1,820)	(25,118)	8,221	(28,664)
Balance, end of period	<u>(55,813)</u>	<u>(41,602)</u>	<u>(55,813)</u>	<u>(41,602)</u>
Total Unitholders' Equity	<u>\$ 217,548</u>	<u>\$ 255,653</u>	<u>\$ 217,548</u>	<u>\$255,653</u>

ARCTIC GLACIER INCOME FUND**Interim Consolidated Statements of Comprehensive Income (Loss)**

Three months and six months ended June 30, 2008 and 2007 (unaudited)

(thousands)	Three Months		Six Months	
	2008	2007	2008	2007
Earnings (loss) for the period	\$ 7,836	\$ 11,730	\$(4,643)	\$ 789
Other comprehensive income (loss)				
Net gain (loss) on translation of self-sustaining foreign operations	(1,838)	(25,145)	8,183	(28,720)
Amortization of transitional adjustment to earnings (loss) for the period	18	27	38	56
Other comprehensive income (loss)	(1,820)	(25,118)	8,221	(28,664)
Comprehensive income (loss) for the period	\$ 6,016	\$(13,388)	\$ 3,578	\$(27,875)

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

Three months and six months ended June 30, 2008 and 2007 (unaudited)

(thousands)	Three Months		Six Months	
	2008	2007	2008	2007
Cash from (used in):				
Operating activities				
Earnings (loss) for the period	\$ 7,836	\$11,730	\$ (4,643)	\$ 789
Adjustments for:				
Amortization	7,698	7,848	15,225	15,669
Amortization of deferred financing	333	259	596	514
Amortization of transitional adjustment on interest rate swap	18	27	38	56
Accretion of convertible debenture principal	415	389	825	786
Accretion of long-term debt	55	279	156	513
Recognition of rents on a straight-line basis	180	194	361	387
Unit-based compensation expense	101	75	201	149
Loss (gain) on disposal of property, plant and equipment	10	12	(30)	(124)
Unrealized foreign exchange loss (gain) on long-term debt	(90)	(1,034)	375	(1,177)
Unrealized loss (gain) on foreign exchange options	95	(619)	800	(939)
Unrealized loss (gain) on interest rate swap	(849)	(435)	214	(328)
Future income taxes (reduction)	1,928	3,141	(8,312)	(5,304)
	17,730	21,866	5,806	10,991
Changes in working capital items	(10,144)	(16,128)	(16,499)	(19,279)
	7,586	5,738	(10,693)	(8,288)
Investing activities				
Additions to property, plant and equipment	(5,057)	(6,761)	(9,449)	(11,105)
Proceeds from disposal of property, plant and equipment	170	145	253	417
Additions to goodwill	-	(1,701)	(1,274)	(1,701)
Acquisition of business operations	(19,243)	(5,778)	(19,867)	(27,903)
	(24,130)	(14,095)	(30,337)	(40,292)
Financing activities				
Proceeds from long-term debt	33,608	19,402	62,502	55,144
Principal repayments on long-term debt	(3,886)	(1,896)	(4,196)	(54,502)
Units issued, net of issue costs	340	712	634	67,256
Distributions paid	(10,716)	(10,595)	(21,424)	(20,197)
	19,346	7,623	37,516	47,701
Foreign exchange gain (loss) on cash held in foreign currency	157	(664)	803	(835)
Increase (decrease) in cash	2,959	(1,398)	(2,711)	(1,714)

Cash (bank indebtedness), beginning of period	(1,025)	4,360	4,645	4,676
Cash, end of period	\$ 1,934	\$ 2,962	\$ 1,934	\$ 2,962
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Supplementary cash flow information				
Interest paid	\$ 4,074	\$ 3,921	\$ 9,768	\$ 10,281
Income taxes paid	198	270	357	487
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ARCTIC GLACIER INCOME FUND
Interim Schedule of Distributable Cash

Three months and six months ended June 30, 2008 and 2007 (unaudited)

(thousands, except per unit amounts)	Three Months		Six Months	
	2008	2007	2008	2007
Cash from (used in) operating activities	\$ 7,586	\$ 5,738	\$ (10,693)	\$ (8,288)
Adjustments:				
Changes in working capital items ⁽¹⁾	10,144	16,128	16,499	19,279
Less sustaining capital expenditures, net of dispositions ⁽²⁾	(2,906)	(3,374)	(4,293)	(5,218)
Distributable cash	\$ 14,824	\$ 18,492	\$ 1,513	\$ 5,773
Add back one-time costs of antitrust investigation and related expenses	2,085	-	3,087	-
Distributable cash excluding costs of antitrust investigation and related expenses	\$ 16,909	\$ 18,492	\$ 4,600	\$ 5,773
Weighted average number of units	38,960.6	38,536.3	38,943.4	37,589.8
Distributable cash per unit	\$ 0.38	\$ 0.48	\$ 0.04	\$ 0.15
Distributable cash per unit excluding costs of antitrust investigation and related expenses	\$ 0.43	\$ 0.48	\$ 0.12	\$ 0.15
Distributions declared	\$ 10,720	\$ 10,609	\$ 21,430	\$ 20,704
Distributions declared per unit	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.55
Distributions declared per unit (annualized)	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10

(1) Changes in working capital items have been excluded from cash from operating activities so as to remove the effects of timing differences in cash receipts and cash disbursements, which have significant seasonal fluctuations and vary significantly across quarters but generally reverse themselves. These fluctuations are funded from cash resources or the revolving term credit facility, and thus will not significantly affect the level of cash distributions.

(2) Sustaining capital expenditures represent the replacement of property, plant and equipment to sustain current business operations and are funded from operating cash flow.