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# ARCTIC GLACIER INCOME FUND

## Arctic Glacier Posts Second Quarter Results

**WINNIPEG – August 10, 2010** – Arctic Glacier Income Fund (TSX:AG.UN) today announced results for the second quarter ended June 30, 2010.

### Summary \*

- Sales increased by \$1.1 million or 2% compared to prior year
- EBITDA decreased by \$3.7 million or 16% compared to prior year
- Expanded into Arizona and Colorado markets
- Completed commissioning of Phoenix manufacturing plant

*\*All dollar amounts in U.S. currency unless otherwise specified*

“During the second quarter Arctic Glacier expanded into the Arizona and Colorado markets,” said Mr. McMahon. “We completed the commissioning of our modern and efficient ice manufacturing plant in Phoenix, and it became fully operational in the second quarter. This expansion initiative enables Arctic Glacier to take advantage of the geographically contiguous location of Arizona and Colorado with our existing markets in California and the Midwest U.S. It also enables us to expand our current business with some of our existing major chain customers with outlets in these markets.”

“During the balance of 2010 we will continue to closely monitor expenses and capital outlays to manage balance sheet leverage in this volatile business environment,” said Doug Bailey, the Fund’s Chief Financial Officer.

### Second Quarter 2010 Review

Sales in the second quarter totaled \$71.5 million, an increase of \$1.1 million or 2% compared to the same period in 2009. Excluding the effect of currency, sales were down by \$0.2 million, primarily due to poor weather in west coast markets and increased competitive activity in California and Oregon. This was substantially offset by new sales related to expansion into Arizona and Colorado and increased sales due to favorable weather late in the quarter in markets in the northeastern U.S. and central Canada. The stronger Canadian dollar increased the U.S. dollar value of sales in Canadian markets by \$1.3 million.

Cost of sales, selling, general and administration expenses totaled \$51.5 million, an increase of \$4.8 million or 10%. Excluding the effect of currency, expenses increased by \$3.8 million primarily due to initial costs of establishing operations in Arizona and Colorado and commencement of customer service in those markets. Also contributing to the increase were higher fuel and utility costs, inflationary increases in inputs plus executive positions filled that had been vacant for much of 2009. The stronger Canadian dollar increased the U.S. dollar value of costs incurred in Canadian operations by \$1.0 million.

Interest expense totaled \$9.4 million in the second quarter, compared to \$5.0 million in the same period last year. The change was primarily due to increased credit margins and underlying interest rates, higher average debt levels and the stronger Canadian dollar. For the first six months of 2010, interest expense totaled \$17.2 million.

Legal fees and other expenses in connection with ongoing antitrust investigations and related civil litigation totaled \$1.6 million in the second quarter, compared to \$1.2 million in the same period last year. For the first six months of 2010, these costs totaled \$2.8 million.

EBITDA for the second quarter of 2010 was \$20.0 million, compared with \$23.7 million for the same quarter in 2009. Six-month EBITDA was \$12.1 million.

Because antitrust costs significantly contributed to the Fund's results in the second quarter of both years, a more appropriate measure of operating performance adjusts results to remove these expenses. Accordingly, adjusted earnings in the second quarter of 2010 were \$0.9 million, compared to adjusted earnings of \$7.2 million last year. That was equivalent to earnings of \$0.02 (basic and diluted) per unit, compared to \$0.18 (basic and diluted) last year. The change was mainly due to higher interest costs related to the February refinancing, combined with reduced EBITDA. For the first half of 2010, adjusted loss totaled \$15.0 million, versus \$5.0 million for the same period last year.

Including antitrust expenses, net loss for the second quarter totaled \$0.3 million or \$0.01 per unit, compared to earnings of \$6.5 million or \$0.17 per unit in the same quarter of 2009.

### **Financial Position**

As at June 30, 2010, Arctic Glacier's net debt, excluding convertible debentures, was \$186.5 million, compared to \$186.0 million at the same time last year.

The Fund's working capital at June 30, 2010 was \$14.3 million, an improvement of \$56.8 million compared to a working capital deficiency of \$42.5 million at the same time in 2009. The reason for the change is that \$60 million in senior secured notes scheduled to mature in early 2010 were classified as current liabilities for the comparable period last year. The notes were refinanced and repaid in full on February 10, 2010.

The Fund's net debt to EBITDA ratio at June 30, 2010 was 3.7 to 1, compared to 3.2 to 1 at the same time last year. As at June 30, 2010 the Fund was in compliance with all debt covenants.

At June 30, 2010 the Fund's credit facilities consisted of a \$185 million term secured loan and a \$70 million revolving term credit facility. The Fund had available liquidity of \$1.4 million on the revolving term credit facility at June 30, 2010 within approved covenant restrictions.

### **U.S. DOJ Investigation and Related Litigation**

On February 11, 2010, the U.S. District Court accepted an agreement entered into between a subsidiary of the Fund and the DOJ. The agreement concludes the DOJ Antitrust Division investigation as it relates in any way to the Fund, its board, management and staff in all markets.

Still ongoing is an investigation by the DOJ Civil Division to determine if the U.S. government has been overcharged in its purchases of packaged ice and a number of state investigations to determine if state antitrust laws have been broken. Also outstanding are several class action lawsuits initiated in Canada and the U.S. At this time, it is not possible to predict the timeline or final outcome of the investigations or litigation, or any potential effect they may have on the Fund or its operations.

Further information, including court decisions rendered to date, will be included in the MD&A section of the Fund's second quarter report.

## **Outlook**

During the third quarter of 2010, Arctic Glacier will continue to focus on its expansion into the Arizona and Colorado markets. The modern and efficient manufacturing plant in Phoenix is fully commissioned and supplying packaged ice to customers in the Arizona market. In Colorado, Arctic Glacier is servicing customers with ice from plants in neighboring states and purchased from local suppliers.

Arctic Glacier is also focusing on the recent increase in competitive activity in its west coast U.S. markets, which has had an adverse effect on margins.

The conclusion of the antitrust investigation permitted the Fund to proceed with refinancing of its maturing senior secured notes and its revolving term credit facility. This action resulted in working capital improving to \$14.3 million at June 30, 2010 from a deficiency of \$42.5 million at June 30, 2009.

Terms of the refinancing effectively preclude the Fund from paying distributions through February 2014. The trustees expect the Fund to convert from an income trust to a corporation during 2011, subject to approval from unitholders and other stakeholders.

Weather during the second quarter of 2010 has been mixed. The weather was generally favorable in the northeastern U.S. and central Canada. However, these conditions were largely offset by substantially cooler weather on the west coast this year.

Looking ahead, the economic environment for the balance of 2010 remains uncertain. Regardless of economic directions, Arctic Glacier will continue to pursue its core objectives of providing quality product and industry-leading customer service. Management will continue to follow a strategic direction defined by a number of objectives. The first is to continue to closely monitor expenses and capital outlays. The second is to gain strength and enhance liquidity by maximizing cash flow and ensuring credit availability. Third, the Fund aims to strengthen its financial position by effectively managing balance sheet leverage. The fourth is to position the Fund to capitalize on future business opportunities as they arise.

Arctic Glacier's ability to maintain positive operating cash flows over the past several years, regardless of sales volumes, demonstrates that the Fund is equipped to mitigate a very challenging business environment. It also positions the Fund to take advantage of economic improvements and more favorable weather in the future.

## **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<sup>®</sup> Premium Ice. Arctic Glacier operates 39 production plants and 48 distribution facilities across Canada and the northeast, central and western United States servicing more than 75,000 retail locations.

Arctic Glacier Income Fund trust units are listed on the Toronto Stock Exchange under the trading symbol AG.UN. There are 39.0 million trust units outstanding.

## **Conference Call and Webcast**

Arctic Glacier will discuss second quarter 2010 results during a conference call with a live audio webcast for investors and analysts on **Tuesday, August 10 at 11 a.m. (EDT)**. To access the simultaneous webcast, log on to Arctic Glacier's website at [www.arcticglacier.com](http://www.arcticglacier.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, adjusted earnings and distributable cash are not recognized measures under Canadian generally accepted accounting principles (GAAP). EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, acquisition integration expenses, gains or losses on foreign exchange, costs of antitrust investigations and related litigation 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. Adjusted earnings is defined as earnings before one-time after tax costs of antitrust investigations and related litigation and goodwill impairment. Adjusted earnings is used by management to evaluate the ongoing profitability of the Fund by eliminating the effect of these material non-operating costs. 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, adjusted earnings 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, adjusted earnings 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, 2010 and 2009 (unaudited) and December 31, 2009 (audited)

(thousands of U.S. dollars)	<b>June 30, 2010</b>	June 30, 2009	December 31, 2009
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 5,239	\$ 2,643	\$ 727
Accounts receivable	31,109	28,582	12,011
Inventories	13,563	13,834	8,688
Prepaid expenses	5,125	4,334	4,877
	<u>55,036</u>	<u>49,393</u>	<u>26,303</u>
<b>Future income taxes</b>	-	2,855	-
<b>Property, plant and equipment</b>	140,159	145,422	142,136
<b>Investments</b>	-	818	-
<b>Intangible assets</b>	118,551	126,078	122,547
<b>Goodwill</b>	146,390	144,991	146,807
	<u>\$ 460,136</u>	<u>\$ 469,557</u>	<u>\$ 437,793</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 38,442	\$ 31,335	\$ 23,169
Principal due within one year on long-term debt	2,326	60,605	61,099
	<u>40,768</u>	<u>91,940</u>	<u>84,268</u>
<b>Long-term debt</b>	189,461	128,083	101,960
<b>Convertible debentures</b>	81,883	72,414	81,515
<b>Future income taxes</b>	621	-	8,685
<b>Unitholders' equity</b>			
Units	325,209	325,207	325,209
Contributed surplus	2,215	1,526	1,848
Warrants	1,484	-	-
Equity portion of convertible debentures	8,358	8,358	8,358
Deficit	(172,695)	(146,432)	(155,774)
Accumulated other comprehensive loss	(17,168)	(11,539)	(18,276)
	<u>147,403</u>	<u>177,120</u>	<u>161,365</u>
	<u>\$ 460,136</u>	<u>\$ 469,557</u>	<u>\$ 437,793</u>

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

Three months and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of U.S. dollars, except per unit amounts)	Three Months		Six Months	
	2010	2009	2010	2009
<b>Sales</b>	<b>\$ 71,457</b>	<b>\$ 70,352</b>	<b>\$ 93,798</b>	<b>\$ 93,482</b>
Cost of sales, selling, general and administration expenses	<b>51,485</b>	46,665	<b>81,726</b>	76,273
Earnings before the undernoted	<b>19,972</b>	23,687	<b>12,072</b>	17,209
Amortization	<b>8,016</b>	7,541	<b>16,139</b>	15,172
Interest	<b>9,398</b>	4,971	<b>17,173</b>	9,420
Loan amendment fees	-	-	<b>400</b>	508
Acquisition integration expenses	-	70	-	223
Loss on disposal of property, plant and equipment	<b>33</b>	339	<b>128</b>	319
Loss (gain) on foreign exchange	-	(1,532)	<b>283</b>	(797)
Costs of antitrust investigations and related litigation	<b>1,575</b>	1,158	<b>2,775</b>	2,616
<b>Earnings (loss) before income taxes</b>	<b>950</b>	11,140	<b>(24,826)</b>	(10,252)
<b>Income taxes</b>				
Current	<b>85</b>	345	<b>255</b>	518
Future (reduction)	<b>1,168</b>	4,271	<b>(8,160)</b>	(4,238)
	<b>1,253</b>	4,616	<b>(7,905)</b>	(3,720)
<b>Earnings (loss) for the period</b>	<b>\$ (303)</b>	<b>\$ 6,524</b>	<b>\$ (16,921)</b>	<b>\$ (6,532)</b>
<b>Earnings (loss) per unit – basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ 0.17</b>	<b>\$ (0.43)</b>	<b>\$ (0.17)</b>

**ARCTIC GLACIER INCOME FUND****Interim Consolidated Statements of Changes in Unitholders' Equity**

Three months and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of U.S. dollars)	Three Months		Six Months	
	2010	2009	2010	2009
<b>Units</b>				
Balance, beginning and end of period	<u>\$ 325,209</u>	\$ 325,207	<u>\$ 325,209</u>	\$ 325,207
<b>Contributed surplus</b>				
Balance, beginning of period	<b>2,002</b>	1,400	<b>1,848</b>	1,320
Unit-based compensation expense	<u>213</u>	126	<u>367</u>	206
Balance, end of period	<u>2,215</u>	1,526	<u>2,215</u>	1,526
<b>Warrants</b>				
Balance, beginning of period	<b>1,484</b>	-	-	-
Warrants issued	<u>-</u>	-	<u>1,484</u>	-
Balance, end of period	<u>1,484</u>	-	<u>1,484</u>	-
<b>Equity portion of convertible debentures</b>				
Balance, beginning and end of period	<u>8,358</u>	8,358	<u>8,358</u>	8,358
<b>Deficit</b>				
Balance, beginning of period	<b>(172,392)</b>	(152,956)	<b>(155,774)</b>	(139,900)
Earnings (loss) for the period	<u>(303)</u>	6,524	<u>(16,921)</u>	(6,532)
Balance, end of period	<u>(172,695)</u>	(146,432)	<u>(172,695)</u>	(146,432)
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period	<b>(20,809)</b>	(6,231)	<b>(18,276)</b>	(8,193)
Other comprehensive income (loss)	<u>3,641</u>	(5,308)	<u>1,108</u>	(3,346)
Balance, end of period	<u>(17,168)</u>	(11,539)	<u>(17,168)</u>	(11,539)
<b>Total Unitholders' Equity</b>	<u><b>\$ 147,403</b></u>	\$ 177,120	<u><b>\$ 147,403</b></u>	\$ 177,120

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

Three months and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of U.S. dollars)	Three Months		Six Months	
	2010	2009	2010	2009
Earnings (loss) for the period	<u>\$ (303)</u>	<u>\$ 6,524</u>	<u>\$(16,921)</u>	<u>\$ (6,532)</u>
Other comprehensive income (loss)				
Net unrealized foreign currency translation gain (loss)	<u>3,624</u>	<u>(5,325)</u>	<u>1,073</u>	<u>(3,381)</u>
Amortization of transitional adjustment to earnings (loss) for the period	<u>17</u>	<u>17</u>	<u>35</u>	<u>35</u>
Other comprehensive income (loss)	<u>3,641</u>	<u>(5,308)</u>	<u>1,108</u>	<u>(3,346)</u>
<b>Comprehensive income (loss) for the period</b>	<u><b>\$ 3,338</b></u>	<u><b>\$ 1,216</b></u>	<u><b>\$(15,813)</b></u>	<u><b>\$ (9,878)</b></u>

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

Three months and six months ended June 30, 2010 and 2009 (unaudited)

	<b>Three Months</b>		<b>Six Months</b>	
(thousands of U.S. dollars)	<b>2010</b>	2009	<b>2010</b>	2009
<b>Cash from (used in):</b>				
<b>Operating activities</b>				
Earnings (loss) for the period	\$ (303)	\$ 6,524	\$(16,921)	\$ (6,532)
Adjustments for:				
Amortization	<b>8,016</b>	7,541	<b>16,139</b>	15,172
Amortization of deferred financing	<b>1,295</b>	344	<b>2,126</b>	663
Amortization of transitional adjustment on interest rate swap	<b>17</b>	17	<b>35</b>	35
Accretion of convertible debenture principal	<b>483</b>	390	<b>948</b>	745
Accretion of long-term debt	<b>182</b>	27	<b>380</b>	53
Accrual of payment-in-kind interest	<b>467</b>	-	<b>718</b>	-
Recognition of rents on a straight-line basis	<b>179</b>	179	<b>358</b>	358
Unit-based compensation expense	<b>213</b>	126	<b>367</b>	206
Loss on disposal of property, plant and equipment	<b>33</b>	339	<b>128</b>	319
Unrealized foreign exchange loss (gain) on long-term debt	-	(1,063)	<b>283</b>	(601)
Unrealized gain on foreign exchange contracts	-	(526)	-	(253)
Changes in fair value of interest rate swap	<b>(668)</b>	(455)	<b>(1,064)</b>	(412)
Future income taxes (reduction)	<b>1,168</b>	4,271	<b>(8,160)</b>	(4,238)
	<b>11,082</b>	17,714	<b>(4,663)</b>	5,515
Changes in non-cash working capital items	<b>(12,309)</b>	(14,738)	<b>(8,058)</b>	(14,919)
	<b>(1,227)</b>	2,976	<b>(12,721)</b>	(9,404)
<b>Investing activities</b>				
Additions to property, plant and equipment	<b>(7,347)</b>	(3,729)	<b>(10,821)</b>	(6,205)
Proceeds from disposal of property, plant and equipment	<b>82</b>	22	<b>134</b>	152
	<b>(7,265)</b>	(3,707)	<b>(10,687)</b>	(6,053)
<b>Financing activities</b>				
Proceeds from long-term debt	<b>22,922</b>	6,664	<b>212,598</b>	36,560
Principal repayments on long-term debt	<b>(13,440)</b>	(17,112)	<b>(166,572)</b>	(18,876)
Payment of deferred financing charges	<b>(299)</b>	-	<b>(18,076)</b>	-
	<b>9,183</b>	(10,448)	<b>27,950</b>	17,684
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>	<b>(78)</b>	211	<b>(30)</b>	113
<b>Increase (decrease) in cash</b>	<b>613</b>	(10,968)	<b>4,512</b>	2,340
<b>Cash, beginning of period</b>	<b>4,626</b>	13,611	<b>727</b>	303
<b>Cash, end of period</b>	<b>\$ 5,239</b>	\$ 2,643	<b>\$ 5,239</b>	\$ 2,643

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

Three months and six months ended June 30, 2010 and 2009 (unaudited)

(in thousands of U.S. dollars, except per unit amounts)	Three Months		Six Months	
	2010	2009	2010	2009
Cash from (used in) operating activities	\$ (1,227)	\$ 2,976	\$ (12,721)	\$ (9,404)
Adjustments:				
Changes in non-cash working capital items <sup>(1)</sup>	12,309	14,738	8,058	14,919
Less sustaining capital expenditures, net of dispositions <sup>(2)</sup>	(2,819)	(3,390)	(4,259)	(4,324)
Distributable cash	8,263	14,324	(8,922)	1,191
Add back costs of antitrust investigations and related litigation	1,575	1,158	2,775	2,616
Distributable cash before deducting costs of antitrust investigations and related litigation	\$ 9,838	\$ 15,482	\$ (6,147)	\$ 3,807
Weighted average number of units	39,043.4	39,042.2	39,043.4	39,042.2
Distributable cash per unit	\$ 0.21	\$ 0.37	\$ (0.23)	\$ 0.03
Distributable cash per unit before deducting costs of antitrust investigations and related litigation	\$ 0.25	\$ 0.40	\$ (0.16)	\$ 0.10

<sup>(1)</sup> Changes in non-cash 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.

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

**ARCTIC GLACIER INCOME FUND****Reconciliation of Adjusted Earnings (Loss)**

Three months and six months ended June 30, 2010 and 2009 (unaudited)

(in thousands of U.S. dollars)	Three Months		Six Months	
	2010	2009	2010	2009
Earnings (loss) for the period	\$ (303)	\$ 6,524	\$ (16,921)	\$ (6,532)
Add costs of antitrust investigations and related litigation <sup>(1)</sup>	1,175	695	1,895	1,570
Adjusted earnings (loss)	<u>\$ 872</u>	<u>\$ 7,219</u>	<u>\$ (15,026)</u>	<u>\$ (4,962)</u>
Earnings (loss) per unit – basic and diluted	\$ (0.01)	\$ 0.17	\$ (0.43)	\$ (0.17)
Adjusted earnings (loss) per unit – basic and diluted	\$ 0.02	\$ 0.18	\$ (0.38)	\$ (0.13)

<sup>(1)</sup> Net of tax effect of \$400 and \$880 for the three and six months ended June 30, 2010 (2009 - \$463 and \$1,046).