

GLACIER WATER SERVICES, INC. *Press Release*

For More Information, Call:
Steve Stringer, Chief Financial Officer
(760) 560-1111

For Release Immediately
August 25, 2014

GLACIER WATER ANNOUNCES SECOND QUARTER FISCAL YEAR 2014 RESULTS

VISTA, Calif., August 25, 2014 – Glacier Water Services, Inc. (GWSV.pk) announced results for the second quarter of the fiscal year 2014, ended June 29, 2014.

Brian McInerney, Chief Executive Officer of Glacier Water, said, “Our second quarter and year-to-date revenues increased 6.2% and 6.3%, respectively, versus the comparable periods last year. On a same-store basis, revenues increased 5.4% year-to-date. The Company’s first six months of adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) were \$10,469,000, an increase of 8.3% or \$803,000 over the same period last year. At the end of the second quarter, Glacier operated approximately 23,400 machines located at retailers across the U.S. and Canada, providing high quality, great tasting drinking water or premium ice.”

Revenues for the second quarter ended June 29, 2014 increased 6.2% to \$33,985,000 compared to \$31,996,000 for the same period last year. For the six-month period ended June 29, 2014, revenues increased 6.3% to \$64,367,000 compared to \$60,574,000 for the same period last year. Sales growth for the second quarter and six-month period ended June 29, 2014 was driven primarily by positive growth in same-store productivity.

The Company’s income from operations for the second quarter ended June 29, 2014 was \$1,691,000 compared to \$1,606,000 for the same period last year. For the six-month period ended June 29, 2014, income from operations was \$1,773,000 compared to \$1,539,000 for the same period last year. The increase in income from operations was driven by the margin generated from growth in revenues, offset by increased depreciation and amortization of \$191,000 and \$569,000, respectively, and operating costs, in particular labor and benefits and vehicle fleet expense.

The Company’s net loss applicable to common stockholders for the quarter ended June 29, 2014 was \$1,474,000 or \$0.45 per basic and diluted share, compared to a net loss of \$1,412,000, or \$0.43 per basic and diluted share for the same period last year. For the six-month period ended June 29, 2014, the net loss applicable to common stockholders was \$4,463,000 or \$1.35 per basic and diluted share, compared to a net loss of \$4,349,000 or \$1.31 per basic and diluted share, for the same period last year. Net loss attributable to the non-controlling interests for the second quarter and six-month period ended June 29, 2014 was \$92,000 and \$285,000, respectively.

With approximately 23,400 machines located in 47 states throughout the United States and Canada, Glacier is the leading provider of high-quality, low-priced drinking water dispensed to consumers through self-service bottled water machines located at supermarkets and other retail locations.

Statements in this announcement that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. A copy of the Company’s audited financial statements for the year ended December 29, 2013 can be obtained by contacting Steve Stringer at (760) 560-1111.

(more)

FINANCIAL RESULTS**GLACIER WATER SERVICES, INC.****Consolidated Statements of Operations**

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 29, 2014	June 30, 2013	June 29, 2014
Revenues	\$ 31,996	33,985	60,574	64,367
Cost of revenues:				
Operating expenses	21,855	23,172	41,871	44,341
Depreciation and amortization	4,105	4,296	8,032	8,601
Total cost of revenues	25,960	27,468	49,903	52,942
Gross profit	6,036	6,517	10,671	11,425
Selling, general, and administrative expenses	4,430	4,826	9,132	9,652
Income from operations	1,606	1,691	1,539	1,773
Other expenses:				
Other expense	351	463	594	928
Interest expense	2,721	2,694	5,440	5,393
Total other expense	3,072	3,157	6,034	6,321
Loss before income taxes	(1,466)	(1,466)	(4,495)	(4,548)
Income taxes expense	13	100	26	200
Net loss	\$ (1,479)	(1,566)	(4,521)	(4,748)
Net loss attributable to noncontrolling interest	(67)	(92)	(172)	(285)
Net loss attributable to Glacier Water Services, Inc.	\$ (1,412)	(1,474)	(4,349)	(4,463)
Basic and diluted net loss per share	\$ (0.43)	(0.45)	(1.31)	(1.35)
Weighted average shares used in calculation	3,310,216	3,310,416	3,310,049	3,310,416

Pro-Forma, adjusted, EBITDA reconciliation

(In thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 29, 2014	June 30, 2013	June 29, 2014
Income from operations	\$ 1,606	1,691	1,539	1,773
EBITDA adjustments				
Addback of depreciation and amortization	4,105	4,296	8,032	8,601
Non-cash stock compensation expense	47	47	95	95
Adjusted EBITDA	\$ 5,758	6,034	9,666	10,469

FINANCIAL RESULTS**GLACIER WATER SERVICES, INC.****GLACIER WATER SERVICES, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

(In thousands, except share data)

(unaudited)

Assets	December 29, 2013	June 29, 2014
Current assets:		
Cash	\$ 4,264	5,288
Accounts receivable, net of allowance for doubtful accounts of \$62 as of December 29, 2013 and June 29, 2014	2,617	2,877
Repair parts	4,344	4,530
Prepaid expenses and other current assets	1,808	1,917
Total current assets	<u>13,033</u>	<u>14,612</u>
Property and equipment, net	69,852	68,556
Goodwill	18,747	18,747
Intangible assets, net	5,474	5,024
Investment in Glacier Water Trust I Common Securities	2,629	2,629
Investment in Glacier Water Trust I Preferred Securities	3,648	3,648
Deferred financing costs, net	4,008	3,941
Other assets	1,046	790
Total assets	<u>\$ 118,437</u>	<u>117,947</u>
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 1,608	2,236
Accrued commissions	4,726	5,913
Accrued liabilities	3,854	3,774
Bank overdraft	2,297	2,134
Total current liabilities	<u>12,485</u>	<u>14,057</u>
Junior subordinated debentures	87,629	87,629
Line of credit	43,500	46,000
Series B junior subordinated debentures	10,311	10,389
Contingent consideration liability	2,202	2,234
Long-term portion of deferred rent	91	59
Total liabilities	<u>156,218</u>	<u>160,368</u>
Commitments and contingencies		
Stockholders' deficit:		
Preferred Stock, \$0.01 par value; liquidation preference \$100 per share; 8% cumulative redeemable convertible; Authorized, 100,000 shares; issued and outstanding, 0 shares at December 29, 2013 and June 29, 2014	-	-
Common stock, \$0.01 par value. Authorized 10,000,000 shares, issued 4,898,022 outstanding 3,310,416 at December 29, 2013 and June 29, 2014;	50	50
Additional paid-in capital	24,227	24,321
Accumulated deficit	(58,042)	(62,505)
Treasury stock, at cost, 1,587,606 shares at December 29, 2013 and June 29, 2014	(32,562)	(32,562)
Accumulated other comprehensive income	216	230
Total stockholders' deficit of Glacier Water Services, Inc.	<u>(66,111)</u>	<u>(70,466)</u>
Noncontrolling interest	28,330	28,045
Total stockholders' deficit	<u>(37,781)</u>	<u>(42,421)</u>
Total liabilities and stockholders' deficit	<u>\$ 118,437</u>	<u>117,947</u>