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**PET VALU REPORTS 2007 SECOND QUARTER NET INCOME RISES BY 128% ON STRONG SALES AND GROSS MARGINS**

All financial results are expressed in U.S. dollars unless otherwise indicated

Markham, Ontario, August 7, 2007. Pet Valu, Inc. announced today unaudited second quarter results for fiscal 2007. On a consolidated basis, net income was \$2.8 million or \$0.32 per share as compared to \$1.2 million or \$0.16 per share for the second quarter of fiscal 2006. Earnings per share excluding non-comparable items for the most recent 52 week period ended June 30, 2007 were \$1.20 or C\$1.36 as compared to \$0.91 or C\$1.06 for the 52 week period ended July 1, 2006.

(in thousands of U.S. dollars, except EPS)

	13 Weeks ended June 30, 2007	13 Weeks ended July 1, 2006	26 Weeks ended June 30, 2007	26 Weeks ended July 1, 2006
No. of Stores	344	349	344	349
Sales and Revenue	\$38,645	\$35,501	\$74,538	\$69,582
Gross Profit	\$11,918	\$9,919	\$22,164	\$19,142
EBITDA <sup>(1)</sup>	\$4,861	\$3,175	\$8,389	\$5,911
EBITDA excluding non-comparable items	\$4,861	\$3,260	\$8,389	\$6,080
Net Income	\$2,774	\$1,219	\$4,523	\$2,141
Net Income excluding non-comparable items <sup>(2)</sup>	\$2,774	\$1,273	\$4,523	\$2,249
Basic EPS	\$0.32	\$0.16	\$0.51	\$0.28
Fully Diluted EPS	\$0.27	\$0.13	\$0.44	\$0.24
Basic EPS excluding non-comparable items <sup>(3)</sup>	\$0.32	\$0.17	\$0.51	\$0.30
Diluted EPS excluding non-comparable items	\$0.27	\$0.14	\$0.44	\$0.25
Non-comparable items (before tax)				
Financing initiatives costs	-	\$85	-	\$169
Applicable tax on non-comparable items	-	(\$31)	-	(\$61)

**NON-COMPARABLE ITEMS**

Non-comparable items in fiscal 2006 included legal and other costs related to a financing initiative that was ultimately not pursued.

**SALES**

Comparable store sales for the thirteen week period ending June 30, 2007 increased by 7.1% in Canada and by 2.5% in the U.S. as compared to the thirteen week period ending July 1, 2006. During the quarter, the Company continued with the implementation of programs designed to shift its product offering to higher-margin, high-quality pet products.

## CANADIAN OPERATIONS

(in thousands of U.S. dollars)

	13 Weeks ended June 30, 2007	13 Weeks ended July 1, 2006	26 Weeks ended June 30, 2007	26 Weeks ended July 1, 2006
No. of Stores	279	282	279	282
Sales and Revenue	\$29,749	\$26,824	\$56,826	\$52,485
Gross Profit	\$9,477	\$7,496	\$17,356	\$14,411
EBITDA	\$4,448	\$2,822	\$7,678	\$5,311
EBITDA excluding non-comparable items	\$4,448	\$2,907	\$7,678	\$5,480
Net Income	\$2,435	\$975	\$3,957	\$1,744
Net Income excluding non-comparable items	\$2,435	\$1,029	\$3,957	\$1,852
Non-comparable items (before tax)				
Financing initiatives costs	-	\$85	-	\$169
Applicable tax on non-comparable items	-	(\$31)	-	(\$61)

## U.S. OPERATIONS

(in thousands of U.S. dollars)

	13 Weeks ended June 30, 2007	13 Weeks ended July 1, 2006	26 Weeks ended June 30, 2007	26 Weeks ended July 1, 2006
No. of Stores	65	67	65	67
Sales and Revenue	\$8,897	\$8,677	\$17,713	\$17,097
Gross Profit	\$2,566	\$2,548	\$5,057	\$4,980
EBITDA	\$538	\$479	\$960	\$849
Net Income	\$463	\$369	\$815	\$646

There were no non-comparable items in the U.S. operations in the first or second quarter of either fiscal 2007 or fiscal 2006.

## VENDOR PRODUCT RECALLS

In the first half of fiscal 2007, certain vendors announced recalls of certain production runs for certain products. There have not been any new product recalls since May 2007. These recalls received significant media attention and raised some concern within the industry. However, the number of recalled products carried by the Company is limited. Accordingly, the recalls did not have a material effect on the sales or the results of operations of the Company. The Company's long-term objective of shifting its product offering to higher-margin, high-quality pet products, which include pet specialty brands and private label products featuring a wellness-focused approach to pet nutrition is believed to be providing a competitive advantage to the Company with respect to consumers looking for alternative foods for their pets.

## OUTLOOK

The Company has several key operating objectives for 2007 and 2008. A primary objective will be to continue re-engineering existing operating practices to highest industry standards. In this regard, the Company will be seeking to improve its technological systems, including those related to materials handling, as well as those where there are opportunities to increase automation of routine practices throughout the business. The Company will also be reviewing its

fuel and energy strategies so as to improve distribution efficiencies; its merchandising models so as to be able to fully utilize varying store sizes within the scope of small box retailing; its franchising systems in Canada; and its risk management strategies.

As well, the Company plans to upgrade the shopping experience at its stores under "Better Pet Nutrition" rebranding, including enhancements to store image and services, expansion of differentiated product selection, the identification of more targeted store location criteria, improvements to space management programs, and the integration of an e-commerce component to the business.

The Company intends to validate a U.S. market expansion platform that addresses changes in both the niche positioning of competitors as well as changes in consumer purchasing trends. On another front, the Company plans on strengthening the capacity of management to complete its operating and growth objectives, as well as improving the productivity of management by establishing higher levels of accountability in relation to strategic business planning, project management and inter-departmental coordination.

The Company's financial goal will be to efficiently utilize available capital by applying cash flow to projects that meet targeted returns. In that regard, the Company acquired a parcel of land in Ontario in July 2007 for the purpose of building a custom designed warehouse to suit future warehousing requirements. The Company may also utilize available capital for acquisitions as opportunities arise.

In general, the current focus of the Company will be toward generating profit improvements from existing operations and re-engineering the platform for future growth.

## CONFERENCE CALL

Pet Valu, Inc. will host a live conference call on August 9, 2007 at 10:00 a.m. (EDT) to discuss its financial results for its second quarter of fiscal 2007 and to answer questions from participants concerning those results. The discussion will be led by the Company's Chief Executive Officer, Geoffrey Holt and its Chief Financial Officer, Dale Winkworth. To access via tele-conference please dial 416-642-5212, if calling within the Greater Toronto Area, and toll free at 1-866-321-6651, if calling outside the GTA. A playback of the event will be made available for seven days after the event. To access the playback of the event, please dial 416-915-1028 along with the passcode number of 351731, if calling within the GTA, and toll free at 1-866-244-4494 (along with passcode) if outside the GTA.

## NON-GAAP FINANCIAL MEASURES

- <sup>(1)</sup> EBITDA is not a recognized measure under GAAP. As this measure does not have a standardized meaning prescribed by GAAP, the Company's method of calculating EBITDA may differ from other companies. The Company believes that EBITDA is a useful supplemental measure as it provides investors with an indication of cash available prior to debt service, capital expenditures and income taxes.

- (2) Net Income excluding non-comparable items is not a recognized measure under GAAP. As this measure does not have a standardized meaning prescribed by GAAP, it is unlikely to be comparable to similar measures presented by other companies. The Company believes that earnings excluding non-comparable items is a useful supplemental measure. It is used by the Company to assess its underlying performance from continuing operations and to provide a more useful comparison by eliminating non-recurring items.
- (3) EPS excluding non-comparable items is not a recognized measure under GAAP. As this measure does not have a standardized meaning prescribed by GAAP, it is unlikely to be comparable to similar measures presented by other companies. The Company believes that earnings excluding non-comparable items is a useful supplemental measure. It is used by the Company to assess its underlying performance from continuing operations and to provide a more useful comparison by eliminating non-recurring items

## FORWARD LOOKING STATEMENTS

Certain information in this news release is forward-looking and is subject to important risks and uncertainties. Forward-looking information includes information concerning the Company's future financial performance, business strategy, plans, goals, objectives, business prospects and opportunities. The forward-looking information reflects predictions and does not in any way reflect a guarantee. Factors which could cause actual results or events to differ materially from current expectations include, among other things: the ability of the Company to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; competitive conditions in the businesses in which the Company participates; changes in consumer spending; the outcome of legal proceedings as they arise; general economic conditions and normal business uncertainty; the availability of suitable store locations; customer preferences towards product offerings; adverse climate changes; the occurrence of a pandemic or other catastrophic event which could create shortages of labour, products or services required to operate the business profitably; fluctuations in foreign currency exchange rates; changes in the Company's relationship with its merchandise and service suppliers; interest rate fluctuations and other changes in borrowing costs; and changes in laws, rules and regulations applicable to the Company or the markets in which the Company operates. The Company cautions that this is not an exhaustive list of factors that may affect the forward-looking information in this news release. Potential investors and readers are urged to give careful consideration to all of these factors in evaluating any forward-looking information and are cautioned not to place undue reliance on such information. While the Company believes that its forecasts and assumptions are reasonable, results or events predicted in this forward-looking information may differ materially from actual results or events.

Pet Valu is a specialty retailer of pet food and pet-related supplies operating Company-owned and franchised locations in Canada and the U.S. The TSX stock symbol for Pet Valu Canada Inc., Pet Valu, Inc.'s publicly traded Canadian operating subsidiary, is PVC.

For further information, please contact:

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Secretary

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