

PET VALU REPORTS FIRST QUARTER 2009 FINANCIAL RESULTS

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

Markham, Ontario, May 12, 2009. Pet Valu, Inc. announced today first quarter results for fiscal 2009. On a consolidated basis, net income for the quarter ended April 4, 2009 was \$2.7 million or \$0.27 per diluted share as compared to net income of \$2.8 million or \$0.28 per diluted share for the first quarter of fiscal 2008. Excluding non-comparable items, net income was \$3.0 million or \$0.29 per diluted share as compared to net income of \$2.8 million or \$0.28 per diluted share for the first quarter of fiscal 2008. Non-comparable items in the first quarter of fiscal 2009 included legal and other costs related to the Company's exploration of strategic alternatives.

COMPARABLE STORE SALES

Comparable store sales for the quarter ending April 4, 2009 increased by 7.9% in Canada and by 8.9% in the United States as compared to the quarter ending March 29, 2008. During the quarter, higher margin high-quality pet product sales have continued to show strong growth and a more positive shopping experience for customers has contributed to higher sales.

RESULTS

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

	13 Weeks ended April 4, 2009	13 Weeks ended March 29, 2008
No. of stores	357	341
System wide sales	\$49,101	\$53,270
Sales and revenue	\$41,274	\$42,800
EBITDA ⁽¹⁾	\$4,448	\$5,227
EBITDA excluding non-comparable items ⁽¹⁾	\$4,813	\$5,227
Loss on foreign exchange	\$178	\$248
Net income	\$2,722	\$2,838
Net income excluding non-comparable items ⁽²⁾	\$2,965	\$2,838
Basic EPS	\$0.29	\$0.32
Fully diluted EPS	\$0.27	\$0.28
Basic EPS excluding non-comparable items ⁽³⁾	\$0.31	\$0.32
Diluted EPS excluding non-comparable items ⁽³⁾	\$0.29	\$0.28
Non-comparable items:		
Strategic alternative related costs	\$365	-
Applicable tax on non-comparable items	(\$122)	-

CANADIAN OPERATIONS

(in thousands of U.S. dollars)

	13 Weeks ended Apr. 4, 2009	13 Weeks ended Mar. 29, 2008
No. of Stores (end of period)	295	279
System wide sales	\$39,638	\$44,582
Sales and Revenue	\$31,815	\$34,107
EBITDA ⁽¹⁾	\$3,600	\$4,888
EBITDA excluding non-comparable items ⁽¹⁾	\$3,965	\$4,888
Loss (Gain) on foreign exchange	\$178	\$248
Net Income	\$1,899	\$2,517
Net Income excluding non-comparable items ⁽²⁾	\$2,141	\$2,517
Non-comparable items:		
Strategic alternative related costs	\$365	-
Applicable tax on non-comparable items	(\$122)	-

U.S. OPERATIONS

(in thousands of U.S. dollars)

	14 Weeks ended Apr. 4, 2009	13 Weeks ended Mar. 29, 2008
No. of Stores (end of period)	62	62
System wide sales	\$9,463	\$8,688
Sales and Revenue	\$9,460	\$8,692
EBITDA ⁽¹⁾	\$848	\$339
Net Income	\$823	\$320

KEY ACCOMPLISHMENTS

During fiscal 2008 and the first quarter of fiscal 2009, the Company pursued key priorities intended to improve results from operations, liquidity, capital resources and cash flow.

Reniching

The Company continued to pursue a 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. This reniching program has improved and is expected to continue to improve operating profits and enhance the image of the Company as a specialty retailer.

Acquisition

On August 22, 2008, the Company completed the purchase of a 15 store pet food and supply business known as BERRYS or BERRYS...YOUR PETSCHOICE. These stores are all located in eastern Ontario. The purchase price of C\$2.4 million was financed using Pet Valu's existing bank operating line. The Berrys operations and the anticipated operating synergies are expected to incrementally contribute an approximate C\$600,000 to Pet Valu's consolidated income before income taxes during the first 12 months of inclusion within the Pet Valu group of stores.

Inventory Investment

The Company's inventory buying system is designed to take advantage of opportunities, including those in relation to cost inflation. As a result, the Company's warehouse inventory levels have increased by approximately C\$0.9 million during the first quarter 2009. The Company believes that recent declines in various commodity prices will slow the rate of any cost increases in fiscal 2009 and will likely result in a reduction of these inventories in fiscal 2009.

Development of Canadian Corporate Store Programs

During fiscal 2008, the Company dedicated an increasing amount of effort to the operation of its Canadian company-owned stores by developing and implementing programs designed to increase sales and operating profitability. These programs included more product and sales training for corporate store staff and an incentive program for corporate store managers. These programs have contributed to an increase in comparable store sales of 9.7% for company-owned stores in Canada, in the first quarter of fiscal 2009.

Amendment of Bank Credit Agreement

During the third quarter of fiscal 2008, the Company entered into an agreement with its principal bank to amend its existing credit agreement dated as of July 14, 2006 ("Credit Agreement"). The amendment increased the revolving line of credit in the Credit Agreement from a maximum of C\$15 million to a maximum of C\$20 million. In addition, the amendment created a new C\$5 million term loan that bears interest at prime plus 1% and is repayable in 24 equal monthly installments. The amendment did not materially change any other terms contained in the Credit Agreement.

Repayment of 10% Non-convertible Debentures

In accordance with a debenture holder agreement dated July 24, 2006, the scheduled repayment of principal and accrued interest for the 10% non-convertible debentures created under this agreement was made on July 24, 2008 by cash payments to the debenture holders. The amount of the payments was C\$8,877,836, consisting of principal repayments of C\$8,820,000 and accrued interest of C\$57,836. These payments were financed from the new bank term loan, the Company's bank operating line and funds provided from operations.

OUTLOOK

The Company continues to pursue strategic initiatives to improve earnings during 2009 as were outlined in the Outlook section of the fiscal 2008 Annual Report.

Strategies Addressing Current Economic Conditions

The Company has implemented specific programs to address recession-based impacts. These include specific initiatives with respect to reductions in occupancy costs and other cost areas where reductions might be possible as a result of the current economic conditions. Cost reductions on warehouse leases are expected as leases are renewed during the third quarter of fiscal 2009 or otherwise negotiated for new facilities.

To the extent that there has been changes to the customer buying patterns as a result of the current economic conditions, the Company's financial performance has not been materially impacted. The Company will continue to monitor activity in all the markets in which the Company operates and respond accordingly.

Pursuit of Organic Growth

Organic growth has resulted primarily from the Company's reniching programs, including the additions of new differentiated products and the continued development of private label products. These reniching programs are on-going and include various degrees of product differentiation, staff training, facilities upgrades, and customer service initiatives. The Company will continue to focus on these programs for the foreseeable future with the goal of increasing sales, maintaining strong margins and improving the customer experience and product selection.

Franchising

An updated franchise program is expected to be finalized later this year in order to extend the terms of existing franchise agreements, facilitate the franchising of corporate stores, and improve the capacity to enter new markets by franchising greenfield stores.

Initiatives to Sustain Growth in Earnings

Improvements to the efficiency of the operation of the business are being sought through expanded automation in relation to both routine decision-making and inventory management. Improvements to productivity are being pursued through the introduction of performance management measures at all levels of staffing.

Improvements to margins are being pursued through the continuous expansion of private label lines and the introduction of more specialized products.

REVIEW OF STRATEGIC ALTERNATIVES

As previously disclosed, the Company commenced a review of its alternatives to enhance shareholder value with the advice and assistance of its financial advisor, TD Securities Inc., and its legal advisors after receiving an unsolicited approach from a potential acquirer. The Company's board of directors has established a special committee of directors to supervise the review process and to make recommendations to the Company's board of directors. There can be no assurance that any definitive transaction proposal will result from this process, or that any transaction, if proposed will be completed.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Company's annual general meeting of shareholders will be held on May 14, 2009 at the Toronto Board of Trade at 2:30 pm EDT. During the meeting, commentary regarding the Company's financial results for the first quarter of fiscal 2009 will be presented by the Company's CEO, Geoffrey Holt. The Company will not be hosting a separate conference call for the first quarter ended April 4, 2009.

NON-GAAP FINANCIAL MEASURES

- (1) 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; the outcome of strategic alternatives being considered by the Company's board of directors; 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.

COMPANY PROFILE

Pet Valu is a specialty retailer and wholesaler of pet food and pet-related supplies and a franchisor of pet food and pet-related supply outlets. 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:

Michael Fitzgerald

Secretary

(905) 946-1200, extension 3503