

PET VALU, INC.

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PET VALU ANNOUNCES NEW 5-YEAR CREDIT AGREEMENT WITH BANK OF MONTREAL AND HARRIS N.A., AS WELL AS LONG-TERM DEBT RETIREMENT AND CORPORATE GROWTH INITIATIVES

July 17, 2006, Markham, Ontario. Pet Valu, Inc. (the "Company") announced today that its principal affiliates, including Pet Valu Canada Inc. (TSX stock symbol: PVC) and Pet Valu International Inc., have entered into a new credit agreement with Bank of Montreal and Harris N.A. (the "Credit Agreement"), thereby enabling the Company to, among other things, pursue debt retirement and corporate growth initiatives.

CREDIT AGREEMENT

The Credit Agreement provides the Company with a CAD\$15,000,000 revolving line for five years and a CAD\$5,000,000 term loan to be repaid over 24 months (the "Credit Facilities"). The Credit Facilities will be used by the Company to service ongoing operating credit needs, retire certain long-term debt, and facilitate various objectives of the Company that are targeted to improve earnings per share.

DEBT RETIREMENT

The Company's current long-term debt obligations consist of: (a) 8.5% non-convertible debentures in the principal amount of CAD\$15,054,788 due July 24, 2006; (b) a 12.5% non-convertible debenture in the principal amount of CAD\$15,000,000 due September 30, 2009; and (c) an 8.5% convertible debenture in the principal amount of CAD\$3,700,000 due December 29, 2009. The latter debenture is convertible at the holder's option at a conversion rate of CAD\$5.50 per exchangeable share of Pet Valu Canada Inc.

In recent months, due to continued positive cash flow, the Company's utilization of its current bank credit availability has been less than CAD\$2,000,000. This level of utilization along with the new Credit Facilities will provide the Company with substantial availability in anticipation of the repayment of the 8.5% debt maturing in July, 2006.

A previously announced private placement by Pet Valu Canada Inc. of 10% non-convertible, unsecured, subordinated debentures has elicited expressions of interest in the approximate amount of CAD\$8,750,000. The placement was offered to, among others, all holders of the 8.5% non-convertible debentures maturing July 24, 2006 (referred to above). Many of the interested investors are members of management or the Board of Directors of the Company (including Geoffrey Holt, Chief Executive Officer and a director of the Company).

In 1996, Pet Valu Canada Inc. issued 2,007,305 warrants to purchase exchangeable shares of Pet Valu Canada Inc. ("Exchangeable Shares") which trade on the Toronto Stock Exchange under the symbol PVC.WT. These warrants are currently exercisable at CAD\$7.00 and expire on July 24, 2006. Since April 1, 2006, the closing price of the Exchangeable Shares on the Toronto Stock Exchange has been between CAD\$7.00 and CAD\$9.69.

Using the proceeds of the Credit Facilities, the private placement, and other available cash resources, the Company will be in a position to repay all of the 8.5% debentures due July 24, 2006 upon maturity. It also anticipates that, with any surplus cash available from the above sources along with any proceeds resulting from the exercise of warrants, it may be in a position to prepay a portion of the 12.5% debenture due September 30, 2009, taking into account the Company's capital needs and operating requirements. Reduced interest payments combined with growth in earnings (as reflected in recent trends) should provide healthy cash flows in 2006 and thereafter.

GROWTH

In order to make efficient use of the Credit Facilities and positive cash flows, the Company intends to expand its profit generating operations. The implementation of these new financing arrangements positions Pet Valu's balance sheet to provide the liquidity and capital access to realize its long-term growth potential.

This news release contains discussion of forward-looking information and potential future circumstances and developments. The discussion of such matters is qualified by the inherent risks and uncertainties surrounding future expectations generally. Actual results and developments may therefore differ materially from those described in this release.

Pet Valu is a specialty retailer of pet food and pet supplies operating Company-owned and franchised locations in Canada and the U.S.

For further information, please contact:

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