



American TonerServ Reports Second-Quarter Results, Recent Highlights

Revenue More Than Doubles to \$2,762,547 From \$1,098,630 in Second Quarter, 2007; Company States Intention to Acquire Operators in Florida, Indiana and California

SANTA ROSA, CA, Aug 15, 2008 (MARKET WIRE via COMTEX News Network) -- American TonerServ Corp. (OTCBB: ASVP) ("ATS"), a strategic consolidator in the more than \$6.0 billion highly fragmented independent segment of the printer supplies and services industry and a leading recycler of toner cartridges, today announced financial results for the quarter ended June 30, 2008.

Second-Quarter 2008 Financial Results

ATS reported revenue of \$2,762,547 for the quarter ended June 30, 2008, compared to \$1,098,630 for the quarter ended June 30, 2007, a 151% increase.

ATS reported a net loss from operations for the quarter ended June 30, 2008 of \$614,488, compared to a net loss from operations of \$836,700 in the quarter ended June 30, 2007. ATS reported a net loss from operations of approximately \$0.01 per share for the quarter ended June 30, 2008 compared to a net loss from operations of \$0.04 per share in the quarter ended June 30, 2007.

On a GAAP basis, ATS reported a net loss for the quarter ended June 30, 2008 of \$1.25 million, compared to a net loss of \$876,809 for the quarter ended June 30, 2007. ATS reported a net loss of approximately \$0.02 per share for the quarter ended June 30, 2008 compared to \$0.04 per share for the quarter ended June 30, 2007.

Earnings before interest, taxes, depreciation, amortization, stock-based compensation expense and other non-cash expenditures (adjusted EBITDA) was a loss of \$344,547, or less than \$0.01 per share, in the second quarter of 2008, compared to a loss of \$581,780, or approximately \$0.02 per share, in the second quarter of 2007. This is an improvement of approximately 41 percent year over year.

"We are pleased to report that our top line continues to grow organically and from contributions made by the businesses we have acquired to date. Furthermore, since our last quarterly report, we have announced three additional letters of intent to acquire strong businesses in Florida, Indiana and California," said Dan Brinker, Chief Executive Officer. "The ATS strategy continues to be finding and consolidating regional operators of toner service and cartridge recycling and providing these operators the leverage and benefits associated with a national brand name."

Mr. Brinker added, "During the second quarter, we began rolling out the GreenSmart recycling program, which diverts waste from landfills and creates an effortless channel for spent toner cartridges to be re-used and recycled. At ATS we are committed to lowering the staggering number of toner cartridges that go directly into solid waste landfills in the United States. Our customers appreciate the help in minimizing their carbon footprint and we appreciate the opportunity to broaden the portfolio of compatible cartridges we offer at economical prices."

Recent Highlights

In June, ATS announced that the company had signed a letter of intent to acquire the retail business of Imaging Technology Products ("IT Products"), headquartered in Longwood, Florida. IT Products would function as a satellite for the business of Tonertype in Tampa, which was acquired in January of 2008. The founder of IT Products, Joe Cody, said, "The customer-oriented programs that ATS has pioneered would help us develop business for ATS in our market."

In July, ATS announced that a letter of intent for acquisition was executed with Mid-America Environmental, LLC, of Evansville, Indiana. Mid-America serves its customers' printers and copiers, creating broad opportunities for service and product sales.

Additionally during July ATS announced that iPrint Technologies was its next targeted acquisition, executing a letter of intent to acquire certain assets of the business based in Chatsworth and Larkspur, California. iPrint serves Fortune 1000 customers in California and throughout the country, with an emphasis on reducing overall printing costs and minimizing waste and inefficiency.

Due diligence and negotiations of acquisition agreements are underway.

Mr. Brinker addressed the Southern California investment Association on August 9, highlighting the acquisition activities and the growth attained both organically and through acquisitions to date. Later in August, both Mr. Brinker and ATS Senior Vice President Andrew Beaurline will make presentations at the Recharger Magazine World Expo, one of the document printing industry's leading events.

Outlook

"Our bottom line this quarter demonstrates that we are increasing efficiency and carefully controlling costs even as the organization grows to support higher revenue," said Mr. Brinker. "Our team remains focused on identifying the most attractive targets for acquisition, while we emphasize organic growth initiatives within the businesses we have on board to date. Our customers benefit from bulk purchasing power, technology solutions, operational expertise and efficiency as well as our recycling programs. The owners of independent businesses we talk to are excited about the opportunity to grow and develop under the umbrella of a national brand," Mr. Brinker concluded.

Presentation of Non-GAAP Information

This press release contains non-GAAP financial measures, including EBITDA (earnings before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization and other non-cash related expenditures). The Company believes these non-GAAP financial measures are useful to investors in evaluating the Company's results. These measures are not a measurement of our financial performance under GAAP and should not be considered as alternatives to net income, income from operations, or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating, investing or financing activities as a measure of our liquidity. In addition, because EBITDA and Adjusted EBITDA may not be calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. For a reconciliation of these non-GAAP financial measures to the most comparable GAAP equivalent, see the Non-GAAP Reconciliation - EBITDA and Adjusted EBITDA, along with related footnotes, below.

AMERICAN TONERSERV CORP. AND SUBSIDIARIES

Results of Operations

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenues:				
Toner and supplies	\$ 2,284,076	\$ 957,743	\$ 4,538,965	\$ 1,327,527
Service	478,471	140,887	913,261	161,671
Total revenues	2,762,547	1,098,630	5,452,226	1,489,198
Cost of sales:				
Toner	1,424,389	602,576	2,877,603	818,540
Service	275,193	133,231	616,569	150,080
Total cost of sales	1,699,582	735,807	3,494,172	968,620
Gross profit	1,062,965	362,823	1,958,054	520,578
Operating expenses:				
Salaries and wages	682,724	410,358	1,356,660	719,222
Professional fees and services	146,244	218,621	731,126	730,520
Sales and marketing	286,986	60,966	480,207	210,987
General and administrative	407,270	408,548	742,511	487,824
Amortization of customer lists	154,229	101,030	306,206	134,241
Total operating expenses	1,677,453	1,199,523	3,616,710	2,282,794

Loss from operations	(614,488)	(836,700)	(1,658,656)	(1,762,216)
Other income (expense):				
Change in fair value of warrant liability	(1,053)	5,555	1,874	5,662
Gain on claims settlement	-	-	66	1,301
Fair value of convertible debt	(375,000)	16,667	(362,500)	4,167
Interest expense	(264,268)	(62,331)	(432,709)	(94,888)
Net loss	\$ (1,254,809)	\$ (876,809)	\$ (2,451,925)	\$ (1,845,974)
EBITDA	\$ (803,672)	\$ (703,314)	\$ (1,648,172)	\$ (1,603,259)
Adjusted EBITDA	\$ (344,547)	\$ (581,780)	\$ (761,137)	\$ (1,102,347)
Net Loss Per Share:				
Basic and diluted	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.08)
Weighted average number of shares outstanding:				
Basic and diluted	64,542,512	23,631,639	63,233,698	23,293,352

Balance Sheet Data

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,603	\$ 60,196
Accounts receivable, net	1,368,271	1,326,891
Inventory	882,610	715,328
Prepaid expenses and other current assets	51,368	33,127
Deferred compensation	43,469	471,298
Deferred acquisition costs	22,957	-
Total current assets	2,390,278	2,606,840
Customer lists, net	3,697,156	4,002,862
Goodwill	1,801,895	1,801,895
Property and equipment, net	358,542	394,745
Other assets	31,522	29,959
Total Assets	\$ 8,279,393	\$ 8,836,301

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Cash overdraft	\$ 15,463	\$ -
Accounts payable and accrued expenses	1,552,984	1,767,997
Shareholder advances	142,345	431,095
Revolving line of credit	584,608	-
Notes payable - current portion (net of unamortized discount of \$128,614)	709,571	2,068,033
Convertible notes payable, related parties - current portion (net of unamortized discount of \$3,667)	152,583	31,250
Convertible notes payable - current portion (net of unamortized discount of \$49,453)	1,950,547	187,500

Notes payable, related parties - current portion	-	150,000
Deferred revenue	217,394	92,589
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Total current liabilities	5,325,495	4,728,464
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Long-term liabilities:		
Notes payable (net of unamortized discount of \$270,881)	1,018,084	1,281,400
Convertible notes payable	800,000	925,000
Warrant liabilities	176,176	119,700
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Total long-term liabilities	1,994,260	2,326,100
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Total liabilities	7,319,755	7,054,564
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Commitments and contingencies		
Stockholders' equity		
Common stock		
64,640,572 shares issued and outstanding	64,640	60,391
Additional paid-in capital	20,925,763	19,300,186
Accumulated deficit	(20,030,765)	(17,578,840)
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Total stockholders' equity	959,638	1,781,737
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Total Liabilities and Stockholders' Equity	\$ 8,279,393	\$ 8,836,301
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The following is a reconciliation of cash flows provided by operating activities to EBIT, EBITDA, and net loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
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Cash flows provided by operating activities	\$ (690,878)	\$ (629,417)	\$ (1,326,103)	\$ (1,246,331)
Changes in operating assets and liabilities	202,514	16,418	304,950	96,979
Non-cash (expenses) income, including depreciation and amortization	(766,445)	(263,810)	(1,430,772)	(696,622)
Interest expense, net	264,268	62,331	432,709	94,888
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EBIT	(990,541)	(814,478)	(2,019,216)	(1,751,086)
Depreciation and amortization	186,869	111,164	371,044	147,827
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EBITDA	(803,672)	(703,314)	(1,648,172)	(1,603,259)
Interest expense	(264,268)	(62,331)	(432,709)	(94,888)
Depreciation and amortization	(186,869)	(111,164)	(371,044)	(147,827)
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Net loss	\$ (1,254,809)	\$ (876,809)	\$ (2,451,925)	\$ (1,845,974)
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The following is a reconciliation of net loss to EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net loss	\$ (1,254,809)	\$ (876,809)	\$ (2,451,925)	\$ (1,845,974)
Interest expense, net	264,268	62,331	432,709	94,888
EBIT	(990,541)	(814,478)	(2,019,216)	(1,751,086)
Depreciation and amortization	186,869	111,164	371,044	147,827
EBITDA	\$ (803,672)	\$ (703,314)	\$ (1,648,172)	\$ (1,603,259)

The following is a reconciliation of net EBITDA to adjusted EBITDA, which excludes all noncash items, one time expenditures and stock related compensation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
EBITDA	\$ (803,672)	\$ (703,314)	\$ (1,648,172)	\$ (1,603,259)
Stock related compensation	88,926	143,970	493,909	510,741
Fair value of conversion feature of convertible debt	375,000	(16,667)	362,500	(4,167)
Fair value of warrant liabilities	(4,801)	(5,769)	(1,874)	(5,662)
Bad debt allowance for new entities	-	-	32,500	-
ADJUSTED EBITDA	\$ (344,547)	\$ (581,780)	\$ (761,137)	\$ (1,102,347)

About American TonerServ

American TonerServ Corp. ("ATS"), a leading recycler of toner cartridges, is building a nationwide organization to efficiently serve the printing needs of small- and medium-sized businesses by consolidating best-in-class independent operators in the more than \$6.0 billion recycled printer cartridge and printer services industry, offering top-quality, environmentally-friendly products and local service teams. Please see www.AmericanTonerServ.com for more information.

Forward-Looking Statements

Except for historical information contained herein, the matters set forth above may be forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ from those in the forward-looking statements. Words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the current beliefs of management, as well as assumptions made by and information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors such as the level of business and consumer spending, the amount of sales of the Company's products, the competitive environment within the industry, the ability of the Company to continue to expand its operations, the level of costs incurred in connection with the Company's expansion efforts, economic conditions in the industry and the financial strength of the Company's customers and suppliers. The Company does not undertake any obligation to update such forward-looking statements. Investors are also directed to consider all other risks and uncertainties.

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