



Press Release

Trading Symbol:
 TSX Venture Exchange: HEO
 Alternext : MNEMO : ALHEO

H₂O Innovation announces its third quarter results 2007-2008

Quebec, May 14th, 2008 – Management of H₂O Innovation (“H₂O”) today announced the third-quarter results for 2007-2008. During this period, the Group recorded strong sales growth, particularly in the promising U.S. market, and a gross margin over 20% for the third consecutive quarter.

CONSOLIDATED RESULTS (Unaudited)

	Three-month period ending March 31		Nine-month period ending March 31	
	2008	2007	2008	2007
	CAD	CAD	CAD	CAD
Sales	2 807 212	2 018 674	7 139 589	5 146 617
Gross margin	625 131	676 960	1 548 804	1 474 217
Net loss for the period and comprehensive results	(454 959)	(204 176)	(2 181 634)	(1 154 493)
Basic and diluted net loss per share	(0,012)	(0,008)	(0,060)	(0,049)

Note: The “extended results” item corresponds to the variation of shareholders’ equity from operations and other events and circumstances unrelated to the shareholders. These operations and events include the unrealized gains and losses following fluctuations in the fair value of investments available at the time of sale and the conversion of autonomous foreign subsidiaries.

Strong sales growth: +39%

The name recognition of the H₂O Innovation Group, the recognition of its know-how in the treatment of drinking water, wastewater and industrial process water, and the territorial development strategy conducted by the Group within North America are beginning to show results. Sales are up 39% in the 3rd quarter ended on March 31, 2008 and 38% over the first nine months of the year, compared to the same periods in 2007.

70% of these sales come from US contracts, a trend which should accentuate in the quarters ahead. This performance validates the development strategy adopted by H₂O in the United States, where the demand is exponential.

A gross margin exceeding 20% for the 3rd consecutive quarter

The major cost control efforts initiated since the beginning of 2007-2008 allowed the Group to generate a 22% gross margin in the 3rd quarter and over the first nine months of the current year.

The gross margin has been maintained at over 20% since the 1st quarter of 2007-2008, particularly due to the better purchasing conditions obtained by H₂O from its suppliers.

The increase in the net loss over the quarter ended March 31 is essentially due to operating, selling and administration expenses and overhead, and the non-cash expenditure of CAN\$151,116 after the award of stock options to the Company’s directors and key employees and higher depreciation and amortization.



RECENT EVENTS

An enriched wastewater treatment technology portfolio

Last April the Group acquired Wastewater Technology Inc. (WTI), an American company which owns patented wastewater treatment technologies, including a membrane bioreactor (“MBR”) technology that meets increasingly strict environmental standards.

On the strength of its multiple achievements (over 70 wastewater treatment systems installed throughout the United States, Eastern Europe and China) and its experience and know-how, WTI gives H₂O access to new business opportunities for wastewater treatment in high-growth sectors. Over the past two years, WTI realized average sales over CAN\$2.6 million.

A beefed-up geographic presence in the promising U.S. market

WTI is the second acquisition, with MSI, realized by the Group in the United States, a particularly promising market for municipal and industrial contracts. This acquisition also allowed H₂O to develop its sales force, already well established in California and Florida, by the addition of WTI’s network of 15 manufacturer’s agents and representatives located throughout the United States.

A backlog of CAN\$17.4 million - (May 14th, 2008)

On the strength of more extensive geographic coverage and an impressive list of achievements for North American municipalities, new municipal and industrial contracts were added to the backlog during the 3rd quarter. Most of them will be carried out in the United States, a promising market for membrane filtration technologies.

Seven new contracts with a total value of CAN\$5.6 million were obtained in March and April 2008, validating the relevance of the offer developed by H₂O.

These contracts concern :

In Canada :

- The supply of components and the specialized on site services for the installation of a water treatment system in Alberta, for the company Primewest Energy Inc.;
- The design and manufacture of a water purification system to be installed in an oil industry construction camp near Calgary, Alberta;
- The replacement of outdated water treatment facilities of two native communities in Manitoba;
- The supply of a BiH₂Omobile-type mobile wastewater treatment unit to a mining camp in northern Quebec.

In the United States :

- The design and manufacture of drinking water production units in Arizona;
- The design and manufacture of the Mainland Water Treatment RO Expansion Project for Currituck County, North Carolina;
- The installation of a low pressure membrane filtration system in the city of Oxnard, northwest of Los Angeles, California, which will recycle wastewater using extremely effective membrane technologies. It is worth noting that water recycling/reuse is currently the fastest growing segment of the industry.

The backlog, on the date of publication of these financial statements (May 14th, 2008), amounts to CAN\$17.4M.



On the international level, the Company is pursuing its commercialization approaches via local partners on promising markets with major seawater desalinization needs, such as Algeria, Egypt, Morocco, Senegal and Eastern Europe.

The third quarter financial report is available on the Company web site (www.h2oinnovation.com) and on Alternext web site (www.alternext.fr). Additional information on the Company is also available on SEDAR (www.sedar.com).

About H₂O

H₂O mission is to develop, manufacture and market innovative, environment-friendly, products intended for drinking water production, wastewater treatment and industrial processes.

Prospective disclosures

This press release may contain prospective disclosures representing current expectations of H₂O and are subject to certain risks and uncertainties. H₂O rejects any obligation to revise or update the prospective disclosures contained in this press release.

The TSX Venture Exchange and the Alternext Exchange assume no responsibility for the relevance or accuracy of this press release.

-30-

Sources :

Guy Goulet
Chairman of the Board and CEO
(450) 227-1150
ggoulet@h2oinnovation.com

Frédéric Dugré
President and COO
(418) 688-0170
fdugre@h2oinnovation.com