



***Pethealth Inc. Announces 230% Increase in Net Income to \$2,174,625 for 2007 and its full Results for the Year and Quarter Ended December 31, 2007***

**OAKVILLE, ON, March 12, 2008.** (TSX: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the year and quarter ended December 31, 2007.

**Financial Highlights**

***Year ended December 31, 2007***

- Total revenue for the year ended December 31, 2007 was \$21.5 million, up 16% over the year ended December 31, 2006.
- Net income for the year was \$2,174,625 (\$0.053 fully diluted per share after deducting the \$600,000 paid as a dividend in the first quarter of 2007), compared to net income of \$659,352 (\$0.001 fully diluted per share after giving effect to the \$600,000 dividend payment made in the first quarter of 2006) recorded in the prior year, an increase of 230%.
- EBITDA for the year was \$2,773,563 compared to EBITDA of \$1,142,123 for the same period in the prior year, up 143%.
- The 2007 loss ratio for the U.S. core pet insurance book of business was 45.8%. The Company participates in a portion of its programs' underwriting results in the United States.
- Administration costs for the insurance business fell to 10.1% of premium for 2007 from the 10.8% reported for 2006.
- Gross premiums earned by the Company's insurance carriers were \$39.0 million for the year ended December 31, 2007, up 7% from the same period in the prior year.

***Quarter ended December 31, 2007***

- Total revenue for the three months ended December 31, 2007 was \$5.33 million, up 10% over the three months ended December 31, 2006.
- Net income for the three months ended December 31, 2007 was \$557,936 (\$0.019 per fully diluted share) compared to net income of \$431,722 (\$0.015 per fully diluted share) recorded in Q4, 2006, a 29% increase.
- EBITDA for Q4 2007 was \$732,640 compared to an EBITDA of \$555,722 for the same period in the prior year, up 32%.
- Gross premiums earned by the Company's insurance carriers were \$9.4 million for the three months ended December 31, 2007, up 0.2% from the same period in the prior year.

On May 28, 2007, the Company graduated its common share listing from the Toronto Venture Exchange to the Toronto Stock Exchange maintaining its ticker symbol PTZ. On the same date, and as a condition of listing on the TSX, the Company also completed a consolidation of its common shares on a one-for-ten basis.

In November 2007, the Company launched PawsConnect.com, its on-line social networking site.

## Results of Operations

Pethealth Inc. reports its financial results in two reportable segments, its insurance operations and its non-insurance operations. The insurance operations currently consist of the distribution and administration of the PetCare, ShelterCare, QuickCare, Max, CherryBlue and other co-branded, white labelled or private labelled pet insurance programs while non-insurance operations are made up of its 24PetWatch manufacturer-neutral pet registry and recovery service, the distribution of RFID microchip technology, the development and distribution of PetPoint, its animal shelter management software program and the operation of its on-line social networking site and on-line pet community, PawsConnect.com. The following table details the operational results from each segment:

	For the Year Ended						
	December 31, 2007				December 31, 2006		
	Insurance	Non-Insurance	One-Time Listing Costs	Total	Insurance	Non-Insurance	Total
Operating revenue	\$17,213,361	\$4,202,044	-	\$21,415,405	\$15,162,020	\$ 3,299,698	\$ 18,461,718
Interest and other income	134,329	-	-	134,329	106,549	-	106,549
<b>Total revenue</b>	<b>17,347,690</b>	<b>4,202,044</b>	<b>-</b>	<b>21,549,734</b>	<b>15,268,569</b>	<b>3,299,698</b>	<b>18,568,267</b>
Employment	3,741,492	1,758,017	-	5,499,509	3,409,044	1,371,940	4,780,984
Marketing	5,387,260	323,185	-	5,710,445	5,915,530	319,565	6,235,095
General & administration	3,397,616	593,187	125,611	4,116,414	3,235,051	572,494	3,807,545
Cost of sales		3,033,639	-	3,033,639	-	2,248,808	2,248,808
Other	712,924	302,178	-	1,015,102	658,778	177,705	836,483
<b>Total expenses</b>	<b>\$13,239,292</b>	<b>\$6,010,206</b>	<b>\$125,611</b>	<b>\$19,375,109</b>	<b>\$13,218,403</b>	<b>\$4,690,512</b>	<b>\$17,908,915</b>
Operating income (loss)	\$4,108,398	\$(1,808,162)	\$(125,611)	\$2,174,625	\$2,050,166	\$(1,390,814)	\$ 659,352
Add:							
Capital asset amortization	296,760	302,178	-	598,938	305,066	177,705	482,771
<b>Operating EBITDA</b>	<b>\$4,405,158</b>	<b>\$(1,505,984)</b>	<b>\$(125,611)</b>	<b>\$2,773,563</b>	<b>\$2,355,232</b>	<b>\$(1,213,109)</b>	<b>\$1,142,123</b>
	For the Three Months Ended						
	December 31, 2007				December 31, 2006		
	Insurance	Non-Insurance	One-Time Listing Costs	Total	Insurance	Non-Insurance	Total
Operating revenue	\$4,281,497	\$1,015,914	-	\$5,297,411	\$3,972,826	\$ 851,349	\$4,824,175
Interest and other income	33,204	-	-	33,204	27,939	-	27,939
<b>Total revenue</b>	<b>4,314,701</b>	<b>1,015,914</b>	<b>-</b>	<b>5,330,615</b>	<b>4,000,765</b>	<b>851,349</b>	<b>4,852,114</b>
Employment	950,560	444,637	-	1,395,197	845,912	398,076	1,243,988
Marketing	1,417,119	143,427	-	1,560,546	1,282,661	41,015	1,323,676
General & administration	765,796	78,624	-	844,420	887,440	139,212	1,026,652
Cost of sales		700,698	-	700,698	-	622,979	622,979
Other	173,957	97,861	-	271,818	151,994	51,103	203,097
<b>Total expenses</b>	<b>\$3,307,432</b>	<b>\$1,465,247</b>	<b>\$ -</b>	<b>\$4,772,679</b>	<b>\$3,168,007</b>	<b>\$1,252,385</b>	<b>\$4,420,392</b>
Operating income (loss)	\$1,007,269	\$(449,333)	\$ -	\$557,936	\$832,758	\$(401,036)	\$431,722
Add:							
Capital asset amortization	76,843	97,861	-	174,704	72,897	51,103	124,000
<b>Operating EBITDA</b>	<b>\$1,084,112</b>	<b>\$(351,472)</b>	<b>\$ -</b>	<b>\$732,640</b>	<b>\$905,655</b>	<b>\$(349,933)</b>	<b>\$555,722</b>

"On behalf of our Management team, I am pleased to be reporting our 2007 results," said Mark Warren, President and Chief Executive Officer of Pethealth. "Our 230% rise in net income comes after taking into account the further significant rise of the Canadian dollar against its U.S. counterpart over the year which reduced our net income by approximately \$570,000. I am also pleased with the continued success of our pet insurance operations, which generated income of over \$4.1 million for the year, up approximately 100% over 2006. When adding the underwriting profitability for our carriers to our own profitability as an MGA, we believe we have a very profitable pet insurance business in North America. Lastly, our success in building out our platform with the animal welfare community continued at a fast pace during 2007, which has created significant new commercial opportunities which we expect to begin to leverage during 2008."

During 2007, the Company generated approximately 75% of its revenue in the United States and incurred approximately 80% of its administrative costs in Canada. As the Company reports in Canadian dollars, the appreciation of the Canadian dollar against its U.S. counterpart had a significant impact on the Company's annual and quarterly reported results. On a pro-forma basis, reported revenues for the year would have been approximately \$975,000 higher and net income approximately \$570,000 (\$0.02 per fully diluted share) higher had 2007 exchange rates mirrored 2006 exchange rates. Similarly, reported fourth quarter revenue and net income would have been approximately \$630,000 and \$290,000 (\$0.01 per fully diluted share) higher had Q4 2007 rates mirrored Q4 2006. On a sequential basis, Q4 2007 reported revenue and net income would have been higher by approximately \$240,000 and approximately \$115,000 (\$0.004 per fully diluted share) had Q4 2007 foreign exchange rates mirrored Q3, 2007.

#### Insurance Operations:

The Company is the number two provider of pet insurance to the companion animal market in North America as measured by both policies in force and gross written premium.

Pet insurance revenues are earned primarily through commissions and fees generated from the placement of pet insurance policies at a blended commission rate of approximately 38% in the United States and 35% in Canada. For the year ended December 31, 2007, the Company achieved commission and fee revenue in the United States of \$12,561,748 and \$4,651,613 in Canada for a combined total of \$17,213,361, an increase of 14% over the same period in the prior year. For the three months ended December 31, 2007, the Company achieved commission and fee revenue in the United States of \$3,137,857 and \$1,143,640 in Canada for a total of \$4,281,497, an increase of 8% over the same period in the prior year.

The Company's U.S. core pet insurance programs produced a loss ratio of 45.8% for 2007 inclusive of a 3% Incurred But Not yet Reported ("IBNR") reserve. The IBNR reserve accounts for claims incurred, but not reported before the period-end date, comprising the time lag between the actual occurrence of the event leading to the claim and its reporting to the insurer. During the second quarter of 2006, the Company began to place business in certain U.S. states with Praetorian Insurance Group, a subsidiary of QBE Insurance Group. Under the terms of the agreement, the Company participates in a portion of the underwriting results for policies placed with Praetorian. For 2007, 79% of the programs' U.S. core earned premiums were placed with Praetorian resulting in \$445,377 being recorded for the year and \$130,622 being recorded for the fourth quarter related to profit sharing from U.S. underwriting. As of January 1, 2008, 100% of policies written in the United States are placed with Praetorian.

The pet insurance operations contributed operating income of \$4,108,398 to the consolidated net income during the year and \$1,007,269 during the fourth quarter. This compares to a contributed operating income of \$2,050,166 and \$832,758 respectively in the prior year.

The 100% and 21% year on year increase in operating income for the year and quarter can be largely attributed to continued strong premium growth and program efficiencies. Administration costs, consisting of claims adjudication, medical underwriting, billing, and customer service but excluding corporate expenses, are measured on a percentage of premium basis. For the year, administration costs represented 10.1% of gross premiums earned by the Company's carriers vs. 10.8% for the prior year. This reduction is the result of the Company's continued efforts to leverage its infrastructure and to create operational efficiencies. The Company believes that its administrative cost as a percentage of premium remains the best in the industry. Marketing costs incurred during the year were 8% below those reported in the prior year due primarily to increased efficiencies in marketing through its corporate and retail partners as well as the appreciation of the Canadian dollar compared to its U.S. counterpart which positively impacted its U.S. dollar denominated marketing initiatives, particularly those in the animal welfare channel. All marketing costs are expensed when incurred and can fluctuate from period to period depending on the timing of various marketing campaigns. The pet insurance operations achieved operating EBITDA of \$4,405,158 for 2007

compared to operating EBITDA of \$2,355,232 in the prior year and operating EBITDA of \$1,084,112 for the fourth quarter compared to operating EBITDA of \$905,655 for the same period in the prior year.

#### Non-Insurance Operations:

Non-insurance revenues are earned from the sale of microchip technology, media and advertising and database and information services leveraging the Company's PetPoint, EVE and 24PetWatch infrastructures. To date, the Company's non-insurance business has been focused on building out its technology platforms, which, in and of themselves, were not designed to operate as stand alone sources of revenue. Instead, these platforms are used to deliver database and information services from which the Company expects to generate significant business at margins greater than those that can be expected to be earned from the insurance operations.

As of December 31, 2007, 808 animal welfare organisations had licensed the PetPoint application. During 2007, 1,050,000 animal intakes and 375,000 adoptions were recorded through the PetPoint application, up 121% and 118%, respectively, over 2006, making PetPoint the most widely used animal management software in North America. As of the date of this release, 865 animal welfare organisations had licensed the application, which, on an annualised run rate, the Company estimates represents better than 35% of the total adoption market.

The distribution model for PetPoint is relatively new, but not unique. PetPoint is provided free to those animal welfare organisations that are using the Company's 24PetWatch microchip program and agree to also promote its ShelterCare insurance program to their adopters. As a hosted solution, PetPoint provides the Company with the ability to deliver messaging to the pet adopter at the point of adoption. Through this "virtual pipeline", the Company believes that it is able to not only inform adopters about the products and services that are available, but also to influence where they will purchase these products and services. Thus, the Company believes it will be able to develop several revenue streams from PetPoint through the offering of retail products and services to adopters.

The Company's strategic advantage is that it is both able to make this connection with the adopter at the point of adoption and influence purchasing decisions prior to that adopter establishing his or her buying habits for their new dog or cat as well as the ability to maintain an on-going relationship based on the provision of various product and services, including pet insurance and on-line social networking, which leverage the integration of the PetPoint and the 24PetWatch RFID microchip and pet recovery infrastructures.

In November, 2007 the Company launched PawsConnect.com, its on-line social network aimed at empowering the lives of pet owners by providing them with new and innovative ways to interact and learn more about the best way to care for their dogs and cats. Membership in PawsConnect.com, is being initially driven by leveraging the 24PetWatch database of pet owners, which currently exceeds 1.5 million cat and dog registrations and which is currently growing by approximately 50,000 registrations per month. The Company is also augmenting the 24PetWatch audience through the use of unique viral marketing campaigns designed to drive incremental membership. The Company expects that the demographic make-up of the pet adopting public is such that it will attract on-line advertising and media campaigns from groups targeting this demographic such as national brands and retailers.

The PawsConnect.com site remains in beta format as the Company continues to experiment with its design and with its functionality. The Company intends to keep PawsConnect.com in beta format until such time as it has completed two other significant add-ons to the platform: the completion of a Business to Business network site for animal welfare employees, expected to be launched late in the second quarter of 2008; and the launch of its adoptable search platform which the Company expects to launch no later than May 2009. The Company believes that, once these two initiatives have been designed and integrated, its platform - starting with PetPoint and ending with its adoptable search application - will represent the most comprehensive adoptable advertising platform to the shelter demographic in the industry.

For 2007, the Company generated revenues of \$4,202,044 from its non-insurance businesses, an increase of 27% from the \$3,299,698 earned last year. For the quarter ended December 31, 2007, the Company generated revenues of \$1,015,914 from its non-insurance businesses, an increase of 19% from the \$851,349 earned in the same period last year. In addition to the sale of microchip technology, the Company expects to continue to generate revenues from various non-insurance opportunities which it expects will include, amongst other things, the sale of products and services to the 24PetWatch database which, as of today's date, exceeds 1.5 million pet registrations, agency and sponsorship fees from manufacturers and retailers accessing PetPoint for distribution and from other third parties looking to improve their advertising and distribution capabilities to pet adopters.

For 2007 the Company's non-insurance business reported an operating loss of (\$1,808,162) as compared to an

operating loss of (\$1,390,814) for 2006. For the quarter ended December 31, 2007 the Company's non-insurance business reported an operating loss of (\$449,333) as compared to an operating loss of (\$401,036) for the same period in the prior year as the Company continues to invest in building out its non-insurance platforms.

#### Consolidated Results

The Company had consolidated net income of \$2,174,625 for 2007 as compared to net income of \$659,352 for 2006 and consolidated net income of \$557,936 for the fourth quarter of 2007 as compared to \$431,722 for the same period in the prior year. Earnings per fully diluted share were \$0.053 for the year vs. \$0.001 for 2006 and \$0.019 for the quarter ended December 31, 2007 vs. \$0.015 for the same period in the prior year. The annual earnings per share numbers reflect the \$600,000 dividend payment made in Q1 of both the current and prior year. The Company's consolidated EBITDA was \$2,773,563 for the year ended December 31, 2007 as compared to EBITDA of \$1,142,123 for the prior year. For the quarter ended December 31, 2007, the Company's consolidated EBITDA was \$732,640 as compared to EBITDA of \$555,722 for the same period in the prior year.

At December 31, 2007, the Company had total assets of \$8,304,716 including unrestricted cash resources of \$2,626,636.

The Company will be hosting an investor conference call on Tuesday, March 18, 2007 at 11:00 AM (EST) which can be accessed at 1-877-323-2090. For those unable to participate, an instant replay of the call will be available for 7 days at 1-800-408-3053, passcode 3255318.

<b>CONSOLIDATED FINANCIAL HIGHLIGHTS:</b>	<b>For the Twelve Months Ended</b>		
	<b>December 31, 2007</b>	<b>December 31, 2006</b>	<b>Change %</b>
Insurance Commissions and Fees	\$17,213,361	\$15,162,020	14%
Microchip Technology and Non-insurance Revenue	4,202,044	3,299,698	27%
Interest and Other Income	134,329	106,549	26%
<b>Total Revenue</b>	<b>\$21,549,734</b>	<b>\$18,568,267</b>	<b>16%</b>
Cost of Sales – Microchip Technology	3,033,639	2,248,808	35%
Marketing Expenses	5,710,445	6,235,095	(8 %)
Employment Expenses	5,499,509	4,780,984	15%
Stock Option Expense	237,650	348,294	(32 %)
Administration Expenses	4,116,414	3,807,545	8%
Foreign Exchange	178,514	5,418	
Amortization of Capital, Intangible and Other Assets	598,938	482,771	24%
Net Income For the Period	\$2,174,625	\$659,352	230%
EPS – Basic *	0.055	0.001	
EPS – Diluted *	0.053	0.001	
Add Back: Amortization	598,938	482,771	24%
EBITDA**	\$2,773,563	\$1,142,123	143%
Stock Option Expense	237,650	348,294	(32 %)
Cash Flow From Operations	3,011,213	1,490,417	102%
Gross Premiums Earned by Carriers	\$38,978,894	\$36,349,998	7%

<b>CONSOLIDATED FINANCIAL HIGHLIGHTS:</b>	<b>For the Three Months Ended</b>		
	<b>December 31, 2007</b>	<b>December 31, 2006</b>	<b>Change %</b>
Insurance Commissions and Fees	\$4,281,497	\$3,972,826	8%
Microchip Technology and Non-insurance Revenue	1,015,914	851,349	19%
Interest and Other Income	33,204	27,939	19%
Total Revenue	\$5,330,615	\$4,852,114	10%
Cost of Sales – Microchip Technology	700,698	622,979	12%
Marketing Expenses	1,560,546	1,323,676	18%
Employment Expenses	1,395,197	1,243,988	12%
Stock Option Expense	61,982	70,856	(13 %)
Administration Expenses	844,420	1,026,652	(18 %)
Foreign Exchange	35,132	8,241	
Amortization of Capital, Intangible and Other Assets	174,704	124,000	41%
Net Income For the Period	\$557,936	\$431,722	29%
EPS – Basic *	0.020	0.015	
EPS – Diluted *	0.019	0.015	
Add Back: Amortization	174,704	124,000	41%
EBITDA**	\$732,640	\$555,722	32%
Stock Option Expense	61,982	70,856	(13 %)
Cash Flow From Operations	794,622	626,578	27%
Cash Resources	2,626,636	1,847,368	42%
Total Assets	8,304,716	6,526,337	27%
Gross Premiums Earned by Carriers	\$9,357,237	\$9,336,236	0.2%

\* Basic and diluted earnings per share are adjusted to reflect the dividend payments made during the first quarter of 2007 and 2006. At December 31, 2007, the Company had annual weighted average basic common shares of 28,381,727 (2006 -28,381,535) and weighted average fully diluted common shares of 29,145,023 (2006 – 28,411,535). For the quarter ended December 31, 2007, weighted average basic common shares were 28,382,535 (2006 – 28,381,535) and weighted average fully diluted common shares of 29,145,831 (2006 – 28,446,171)

\*\* The Company believes the presentation of EBITDA is a useful means of providing investors with additional information in reviewing and analyzing the Company's operating results. EBITDA is considered to be a non-GAAP earnings measure and does not have any standardized meaning prescribed by GAAP. It is, therefore, unlikely to be comparable to similar measures presented by other issuers.

## **About Pethealth**

Founded in 1999, Pethealth is the second largest provider of pet insurance to pet owners in North America, and the leading provider of pet related database management services to the North American companion animal industry. Pethealth offers a unique range of products and services for veterinarians, shelters and pet owners through a number of wholly owned subsidiaries using a range of brand names, including PetCare, ShelterCare, QuickCare, CherryBlue, 24PetWatch, PetPoint, and PawsConnect. Pethealth has been named one of Canada's Fastest-Growing Companies in Profit's 100 Ranking for the last three years.

Pethealth is based in Oakville, Ontario. To find out more about Pethealth, visit the website at [www.pethealthinc.com](http://www.pethealthinc.com)

## **Forward-Looking Statements**

This press release contains information that is forward-looking information within the meaning of applicable securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts.

Forward-looking information by its nature necessarily involves risks and uncertainties including, without limitation, the difficulty of predicting the current regulatory and supervisory environment, the timing and conditions to obtaining any regulatory approval, reliance on insurance underwriters for pet insurance policies, market acceptance and demand for existing and new products and services, including PetPoint and EVE Software and the 24PetWatch microchip program, the Company's ability to maintain and service new and existing customers, the protection of intellectual property associated with its products and services, the impact of competition generally and new competitive products, currency and foreign exchange fluctuations, risks associated with the Company's customer care solutions facility, and related risks and uncertainties. Additional risks and uncertainties affecting the Company can be found in the Company's Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com). If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **Investor Relations Contacts:**

Mark Warren, President and Chief Executive Officer  
Glen Tennison, Chief Financial Officer  
Pethealth Inc.  
(905) 842-2615