



Pethealth Inc. Announces Annual Revenue of \$32.3-million and Net Income of \$2.4-million and its full results for the Year and Quarter Ended December 31, 2010.

OAKVILLE, ON, March 8, 2011. (TSX: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the year and quarter ended December 31, 2010.

2010 Financial Highlights

Year ended December 31, 2010

- Total revenue for the year ended December 31, 2010 was \$32.3 million, down 8% from 2009.
- Net income, before taxes, was \$1.9 million vs. \$4.6 million in the prior year.
- Net income, after taxes, for the year ended December 31, 2010 was \$2.4 million (\$0.05 per share after giving effect to the \$585,000 dividend payment made in the first quarter of 2010) compared to the prior year's after tax net income of \$4.1 million (\$0.12 per share after giving effect to the \$600,000 dividend payment made in the first quarter of 2009).
- EBITDA (see non GAAP accounting measures) for the year was \$3.7 million compared to EBITDA of \$6.4 million for the same period in the prior year.
- Adjusted EBITDA (see non GAAP accounting measures) was \$3.7 million for 2010 vs. \$5.8 million for the same period in the prior year.

The 9.6% and 10.7% appreciation of the Canadian dollar against the U.S. dollar and the British pound respectively had a significant impact on comparative year over year results as described below.

These annual results represent the last annual results reported by the Company under Canadian Generally Accepted Accounting Principles. 2011 annual results will be reported under International Financial Reporting Standards. For more information, shareholders are encouraged to consult the Company's Management Discussion and Analysis dated March 8, 2011.

Quarter ended December 31, 2010

- Total revenue for the quarter ended December 31, 2010 was \$7.8 million, down 12% over Q4 2009.
- Net income, before taxes, was \$609,000 (\$0.02 per share) for the quarter vs. before tax net income of \$1.0 million (\$0.04 per share) for the same period in the prior year.
- Net income, after taxes, for Q4 2010 was \$745,000 (\$0.02 per share) up 45%, compared to after tax net income of \$515,000 (\$0.02 per share).
- EBITDA (see non GAAP accounting measures) for Q4 2010 was \$1.0 million compared to an EBITDA of \$1.47 million for the same period in the prior year.
- Adjusted EBITDA (see non GAAP accounting measures) was \$974,000 for the quarter vs. \$1.45 million in the prior year.

The 5% and 7.5% appreciation of the Canadian dollar against the U.S. dollar and the British pound respectively had a significant impact on comparative year over year quarterly results as described below.

These quarterly results represent the last quarterly results reported by the Company under Canadian Generally Accepted Accounting Principles. The first quarter results of 2011 will be reported under International Financial Reporting Standards. For more information, shareholders are encouraged to consult the Company's Management Discussion and Analysis dated March 8, 2011.

Results of Operations

Pethealth Inc. reports its financial results in two reportable segments; its insurance operations and its non-insurance operations. Its insurance operations currently consist of the distribution and administration of the PetCare, Pet Protect, petPals, ShelterCare, QuickCare, CherryBlue and other co-branded, white labelled or private labelled pet insurance programs, while its non-insurance operations are made up of its 24PetWatch and Pet Protect 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 Petango.com, its on-line pet portal which includes its on-line adoptable search engine, thePetangoStore.com and social networking.

(^000)	2010	2009	Change	Q4 2010	Q4 2009	Change
			Positive/ (Negative)			Positive/ (Negative)
Revenue						
Insurance segment	\$ 23,487	\$ 27,909	(16%)	\$ 5,647	\$ 7,207	(22%)
Non-insurance segment	8,778	7,335	20%	2,179	1,677	30%
	\$ 32,265	\$ 35,244	(8%)	\$ 7,826	\$ 8,884	(12%)
Net income (loss) before taxes						
Insurance segment	\$ 5,244	\$ 7,809	(33%)	\$ 1,401	\$ 2,040	(31%)
Non-insurance segment	(3,309)	(3,173)	(4%)	(792)	(1,038)	24%
	\$ 1,935	\$ 4,636	(58%)	\$ 609	\$ 1,002	(39%)
Net income (loss) after taxes						
Insurance segment	\$ 5,664	\$ 7,322	(23%)	\$ 1,537	\$ 1,553	(1%)
Non-insurance segment	(3,309)	(3,173)	(4%)	(792)	(1,038)	24%
	\$ 2,355	\$ 4,149	(43%)	\$ 745	\$ 515	45%
EBITDA ⁽¹⁾						
Insurance segment	\$ 6,209	\$ 8,918	(30%)	\$ 1,616	\$ 2,307	(30%)
Non-insurance segment	(2,465)	(2,478)	1%	(566)	(833)	32%
	\$ 3,744	\$ 6,440	(42%)	\$ 1,050	\$ 1,474	(29%)
Adjusted EBITDA ⁽²⁾						
Insurance segment	\$ 6,165	\$ 8,247	(25%)	\$ 1,540	\$ 2,283	(33%)
Non-insurance segment	(2,465)	(2,478)	1%	(566)	(833)	32%
	\$ 3,700	\$ 5,769	(36%)	\$ 974	\$ 1,450	(33%)

⁽¹⁾ EBITDA, a non GAAP accounting measure, is operating income plus amortization plus interest on long-term debt plus income taxes.

⁽²⁾ Adjusted EBITDA, a non GAAP accounting measure, is EBITDA plus stock option and equity-based compensation expenses and adjusted for non-cash foreign currency accounting translation gains and losses resulting from the Company's U.S. denominated debt.

The 5% and 7.5% respective appreciation of the Canadian dollar against the U.S. dollar and the British pound for the quarter and the 9.6% and 10.7% respective appreciation of the Canadian dollar against the U.S. dollar and the British pound for the year ended December 31, 2010 had a significant impact on comparative year over year results as set out below:

(^000)	2010	2009	Q4 2010	Q4 2009
Revenue as reported	\$ 32,265	\$ 35,244	\$ 7,826	\$ 8,884
Year over year foreign exchange impact on revenue	2,909	-	295	-
Pro forma revenue adjusted for changes in foreign exchange rates for comparative purposes	\$ 35,174	\$ 35,244	\$ 8,121	\$ 8,884
Pre-tax Net income as reported	\$ 1,935	\$ 4,635	\$ 609	\$ 1,002
Quarterly sequential non-cash translation foreign exchange gain reported	(113)	(879)	(65)	(105)
Year over year foreign exchange impact on operating income	1,143	-	149	-
Pro forma pre-tax net income adjusted for the impact of changes in foreign exchange rates for comparative purposes	\$ 2,965	\$ 3,756	\$ 693	\$ 897

The annual results, in addition to the impact of the appreciation of the Canadian dollar, were also influenced, on a non foreign exchange adjusted basis, by the following:

The Company continues to offset taxable income with historical tax loss carry forwards in North America. In the UK, the Company does not have historical tax loss carry forwards available to offset taxable income. For 2010, there was a tax recovery of £133,378 (\$211,061) resulting from a downward adjustment of the tax provision set-up at December 31, 2009 arising from finalising and filing the 2009 U.K. corporate tax return.

On May 1, 2010 the Company implemented a change to the enrolment process for its ShelterCare insurance program which reduced the number of ShelterCare policies processed. The change in the program was made to more actively engage the adopter in the enrolment process and resulting in an increased conversion into the Company's longer term insurance programs. The change to the program reduced the revenue and marketing expenses by \$1,165,000 and \$2,118,000 respectively, for the year and by \$476,000 and \$866,000 respectively, for the three months ended December 31, 2010. The conversion rate from ShelterCare policies doubled over the latter half of 2010.

During 2010, the aggregate loss ratio for core policies underwritten by Praetorian and QBE (Europe) in the U.S. and the U.K., in aggregate, was 51.1% compared to an aggregate loss ratio of 46.6% for the year ended December 31 2009. As a result of the Company's participation in underwriting results, the Company returned \$233,000 in commissions to Praetorian and QBE (Europe) compared to receiving additional commission in the amount of \$766,000 in 2009.

An increase in marketing dollars was spent on "pay-per-click" campaigns in support of Petango.com, the Company's online pet portal launched in May 2009. 2010 was the first full year of operations for the site and thus "pay-per-click" marketing for 2010 was \$1,069,000 vs. \$482,000 in 2009. Consistent with other program initiatives leveraging the Company's reach within the animal welfare community, Pethealth's investment in marketing peaks during the first twelve months and then is reduced as greater support for these programs from the Company's animal welfare partners emerges. Thus, quarterly spending declined quarterly over the course of the year from \$353,000 in Q1 to \$110,000 in Q4.

During 2010 the Company executed an exclusive four year agreement with Allflex (USA) which reduced the wholesale cost and delivery of microchips by approximately 8.5%. Based on the 2010 sales volume, this agreement increased both gross and net margins by \$498,000 vs. wholesale pricing in effect during 2009.

At December 31, 2010, the Company had total assets of \$20.7 million including unrestricted cash balances of \$5.1 million compared to assets of \$23.3 million including unrestricted cash balances of \$7.3 million at December 31, 2009.

"Substantial year on year growth in the North American non-insurance business throughout 2010 and improved performance in our North American pet insurance operations during the latter half of the year were offset by continued struggles in the underwriting performance of our U.K. book of business and ongoing foreign exchange pressures leading to lower revenue and earnings for 2010," said Mark Warren, President and Chief Executive Officer of Pethealth. "While we remain concerned with the overall level of discretionary spending likely to be seen from pet owners in the United Kingdom over the next couple of quarters, we are far more encouraged with pet owner trends in the U.S. and Canada and the positive impact they are likely to provide for our business."

Insurance Operations:

Results

The Company is North America's number two provider of pet insurance operating in Canada, the United States and the United Kingdom. In all three jurisdictions, the Company operates as a Managing General Agent ("MGA") and, as such, is responsible for all aspects of its pet insurance programs other than the underwriting risk which is entirely borne by its third party carriers other than the Company's limited participation in underwriting results.

Pet insurance revenues are earned primarily through commissions and fees generated from the sale of pet insurance policies at a blended base commission rate of approximately 37% in the United States, 35% in Canada and 33% in the United Kingdom.

The Company's most significant source of new policy sales in North America continues to be the North American shelter channel. The Company expects this channel to remain the primary organic growth engine for commission and fee revenue supported by:

- (1) The trending in 2010, which leads the Company to believe that adoption is growing as a source of new pet acquisition, a trend, the Company believes, that is set to continue. 2010, the Company believes, was the first year when more people acquired new dogs and cats via adoption than through any other single channel.
- (2) The continued growth of the Company's shelter network, centered around the licensing of its PetPoint animal management system, which will result in more adoptions occurring through the Company's applications and programs.
- (3) An integrated program focused on increasing the number of adopters who, subsequent to completing an adoption, purchase a pet insurance policy. This program focuses specifically on upgrading adopters from the Company's 30 day ShelterCare gift of insurance offered to adopters by animal welfare organisations running PetPoint. The change to the ShelterCare program, described above, forms part of this initiative.

In addition to organic growth, the Company intends to acquire other pet insurance businesses both in the United Kingdom and North America as they become available.

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 ended December 31, 2010, administration costs, inclusive of North American insurance business and the Pet Protect business, represented 12.3% of gross premiums earned by the Company's carriers as compared to 11.5% for the same period in the prior year. When adjusted for the impact of foreign exchange and the change in the ShelterCare program, administration costs as a percentage of earned premium were consistent with that reported last year. The Company believes that its administrative costs, as a percentage of gross premiums earned, continue to be the best in the industry. All marketing costs are expensed when incurred.

Under the terms of its MGA agreement with Praetorian Financial Group (USA) and QBE (Europe)(UK), both subsidiaries of QBE Insurance Group (collectively "QBE"), the Company participates in a portion of the underwriting results for core pet insurance policies placed with QBE in the U.S. and the U.K. on an aggregated weighted basis. The Company participates positively for policies underwritten by QBE when the aggregate weighted average accident year loss ratio is less than 50% and negatively when the actual accident year loss ratio exceeds 50%. The Company's participation in QBE's underwriting results is capped at 2.5% of earned premium.

During 2010, the aggregate loss ratio for core policies underwritten by Praetorian and QBE (Europe) in the U.S. and the U.K. in aggregate, was 51.1%, consisting of the U.S. core loss ratio of 41.4% (weighted 57%) and the U.K. core loss ratio of 63.8% (weighted 43%), compared to an aggregate loss ratio of 46.6%, consisting of the U.S. core loss ratio of 42.8% (weighted 60%) and the U.K. core loss ratio of 52.3% (weighted 40%), for the year ended December 31 2009. As a result, the Company returned \$233,000 in commissions to Praetorian and QBE (Europe) compared to receiving additional commission in the prior year of \$766,000.

Non-Insurance Operations:

The Company's non-insurance segment focuses on generating revenues from North American pet owners who have acquired their pets through adoption, and from corporate entities and charitable foundations wishing to participate directly or indirectly with the adopter or in the pet adoption process. The non-insurance business leverages PetPoint, a cloud-computing network which, as of December 31, 2010 had been licensed by 1,569 animal welfare organisations representing approximately 50% of North American adoptions completed through such organisations.

In addition to PetPoint, the Company has developed both the 24PetWatch microchip and database services business and the Petango pet portal which includes its adoptable search engine, social networking and thePetangoStore.com. These platforms, together, are used to develop a network through which the Company can establish a relationship with the pet owner from the time they begin to search for their new dog or cat through the lifetime of that pet. The Company's strategic advantage is that it is both able to make this connection with the adopter 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 products and services, including pet insurance. On an aggregated basis, revenue opportunities generated via the PetPoint network of animal welfare organisations include medical and data publishing, content syndication, e-commerce, and sponsorship and advertising.

The Company, in order to best take advantage of its significant network of animal welfare organisations and pet adopters, continues to invest in these technology platforms. The Company expects that this investment peaked in 2010 and expects it to decline through to June 2012 when the Company's plan for a fully integrated platform for both insurance and non-insurance operations will have been completed.

Non-insurance results

PetPoint

PetPoint had been licensed by 1,569 animal welfare organisations by December 31, 2010, an increase of 21% from those licensed at December 31, 2009. For the full year, 2,028,714 intakes (animals entering the animal welfare organisations) and 785,450 adoptions were completed through PetPoint, an increase in both intakes and adoptions of 10% and 15% respectively from those completed last year. During 2010, the Company added several new features including the Transfer Network (used to facilitate the movement of cats and dogs between animal welfare organisations) and the revamped Case Module (used for Animal Control and Humane Law Enforcement), features that are driving the number of animal welfare organisations licensing the system.

On September 8, 2009, the Company announced that it had signed a licensing agreement with PetSmart Charities Inc. ("PetSmart Charities") which grants PetSmart Charities access to the aggregated animal shelter data the Company compiles through PetPoint. The non-exclusive license runs through until December 31, 2011. During 2010, the Company recorded \$174,000 in revenue related to this contract compared to \$85,000 in the prior year.

During Q4 2010, 482,529 intakes (animals entering the animal welfare organisations) and 209,213 adoptions were completed through PetPoint, an increase in intakes of 5% and in adoptions of 11% from those completed during Q4 2009.

24PetWatch/PetProtect microchip identification

During 2010, the Company sold, in aggregate, 1,242,845 RFID microchips in the United States, Canada and the United Kingdom, a 17% increase in unit sales from 2009. The sale of RFID microchips to animal welfare organisations and veterinary clinics accounted for revenue of \$6,983,360 in 2010 representing 80% of the total non-insurance revenues for the year. This compared to \$6,536,456 in 2009, a 7% increase. In May 2010, the Company announced it had entered an exclusive supply and purchase agreement with Allflex (USA) effective January 1, 2010. Under the terms of the agreement, Allflex has agreed to handle all shipping logistics in the United States and Canada as well as fix the wholesale pricing of its microchip technology over 4 years. The agreement reduced Pethealth's costs by \$498,000 in 2010 and is expected to reduce costs by a minimum of \$500,000 annually through 2013.

In addition, the sale of ancillary products and services to the 24PetWatch database of pet owners, such as pet tags and change of address fees but excluding core insurance products, accounted for an additional \$1,794,685 in revenue, 125% higher than the \$798,894 sold in the prior year. The Company's 24PetWatch call centre received 207,232 inbound calls from subscribers of the 24PetWatch service during 2010, representing a 20% increase over 2009. Subscribers representing 26% of total inbound calls chose to purchase one or more of the Company's products and services during the year vs. 24% in 2009. The Company expects that the growth of both Petango and the ThePetangoStore.com will provide further opportunities to cross sell products and services to the 24PetWatch database of pet owners.

During Q4 2010, the Company sold, in aggregate, 291,753 RFID microchips in the United States, Canada and the United Kingdom, a 15% increase in unit sales from Q4 2009. The sale of RFID microchips to animal welfare organisations and veterinary clinics accounted for revenue of \$1,648,089 in Q4 representing 76% of the total non-insurance revenues for the quarter. This compared to \$1,467,216 in Q4 2009, a 12% increase. In addition, the sale of ancillary products and services to the 24PetWatch database of pet owners, such as pet tags and change of address fees but excluding insurance products, accounted for an additional \$530,448 in revenue.

Petango.com

In May, 2009, the Company launched Petango, its adoptable search engine. In 2010 Petango had over 8.9 million unique visitors and more than 93.7 million pages viewed. Since its launch, Petango has evolved into a leading pet authority and community website. It is expected that unique visitors, page views and the time visitors spend on Petango will continue to grow as (1) more and more animal welfare organisations select Petango to power the adoptable search engine on their own sites and (2) additional functionality is expanded including video and smart phone applications. Petango continues to be one of the largest referrers of traffic to ThePetangoStore.com by supporting ongoing store promotions and messaging to new visitors and its existing community.

In November, 2009, the Company launched its on-line pet supply and pharmacy at www.thepetangostore.com. Sales increased in each quarter of 2010 but were adversely impacted by the shortage of supply of Frontline, a leading flea and tick product. The impact was felt the greatest in Q2 which is the peak of flea and tick season. In addition to providing additional products to be sold to the Company's network of pet owners, ThePetangoStore.com also provides a platform to reduce loss ratios in the Company's core insurance operations through the provision of discounted pharmacy products.

By December 31, 2010, the Company had 2,500 skus on the site. In addition to increasing the product offerings available to include, among other supplies, pet food, management also intends to drive growth through an increased integration with the Company's 24PetWatch and Insurance databases and call centres, an increased number of animal welfare organisations powering their own e-commerce offerings with ThePetangoStore.com and a further leveraging of social media, particularly the "giving back campaigns", whereby a portion of each sale is donated to an animal welfare organisation.

Outlook

General

During the latter half of 2010, Pethealth witnessed a noticeable improvement in pet owning consumer behaviour in North America with a renewed willingness on their part to purchase discretionary services for their dogs and cats. Over 2011, the Company expects this trend to continue with the expectation that consumer discretionary spending on pets will be back to the late 2007/early 2008 numbers by year-end. In the U.K., the Company remains unconvinced that discretionary spending on pets is likely to return to levels previously seen over the near term due to evidence of further economic contraction and the announced increase in consumption tax rates.

The Company is also of the view that the recent recession has led to change in the pet owning demographic and a greater separation between high end pet owners and low end pet owners and, as a result, the Company intends to focus more of its time creating higher end value added insurance and non-insurance services for higher end pet owners at one end of the spectrum, and lower cost insurance and non-insurance products and services for lower end consumers, and will focus less time and energy on the mid market consumer believing that they are a less relevant segment going forward.

North America

Pethealth's outlook for North America is that it will see an improvement in net policy growth with a continued focus on the animal welfare community where the Company enjoys significant competitive advantages not least of which is the wealth of pet owner data it collects at the point of adoption, allowing it to tailor products and services to the individual pet owner. On the non-insurance front, the Company expects to see strong growth over the levels achieved in 2010, notwithstanding fluctuations in foreign exchange rates. Higher conversion rates in the 24PetWatch call centre, higher dollar per transaction levels, and an improvement in the execution on the Petango Store will support this growth.

While organic growth is the main focus for North America, management is of the view that one or two acquisition opportunities may present themselves over the course of the year to help supplement this growth.

U.K.

Despite a challenging economic environment, veterinary inflation remains an issue. Recent premium increases are now flowing through the U.K. book of business with the expectation that loss ratios will improve over the course of the year. Pethealth's non-insurance business in the U.K. will continue, at least in the short term, to be limited to increasing its market share in the companion animal microchipping sector where good progress was made in 2010. In both the Company's insurance and non-insurance businesses in the U.K., it will look to identify potential acquisition opportunities to grow its operations more quickly.

The Company is hosting an investor conference call on Wednesday, March 9th, 2011, at 10:00 AM (EST) which can be accessed at 1-800-769-8320. For those unable to participate, an instant replay of the call will be available for 7 days at 1-800-408-3053 pass code 1458047.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Year Ended		
	Dec 31, 2010	Dec 31, 2009	Change %
Insurance Commissions and Fees	\$23,429,568	\$27,864,943	(16)%
Microchip Technology and Non-insurance Revenue	8,778,046	7,335,350	20 %
Interest and Other Income	57,527	43,978	31 %
Total Revenue	32,265,141	35,244,271	(8)%
Cost of Sales – Microchip Technology & Petango Store	4,630,077	4,706,072	(2)%
Marketing Expenses	7,309,322	8,103,709	(10)%
Employment Expenses	9,883,644	9,378,702	5 %
Stock Option Expense	68,119	207,472	(67)%
Administration Expenses	6,598,500	7,016,320	(6)%
Foreign Exchange Loss/(Gain)	30,895	(608,347)	(105)%
Interest Expense on Long Term Debt	126,421	262,068	(52)%
Amortization of Capital, Intangible and Other Assets	1,682,930	1,542,834	9 %
Earnings before tax	1,935,233	4,635,441	(58)%
Income tax expense - current	(211,061)	487,353	(143)%
Income tax expense – future	(209,000)	-	-
Net Income	2,355,294	4,148,088	(43)%
EPS – Basic ¹	0.05	0.12	(58)%
EPS – Diluted ¹	0.05	0.12	(58)%
EBITDA ²	3,744,584	6,440,343	(42)%
Adjusted EBITDA ³	3,700,143	5,768,613	(36)%
Gross Premiums Earned by Carriers	60,513,435	68,860,014	(12)%

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Three Months Ended		
	Dec 31, 2010	Dec 31, 2009	Change %
Insurance Commissions and Fees	\$5,631,249	\$7,197,368	(22)%
Microchip Technology and Non-insurance Revenue	2,178,537	1,676,970	30 %
Interest and Other Income	15,985	10,015	60 %
Total Revenue	7,825,771	8,884,353	(12)%
Cost of Sales – Microchip Technology & Petango Store	1,149,685	1,051,565	9 %
Marketing Expenses	1,395,001	2,306,016	(40)%
Employment Expenses	2,451,910	2,377,752	3 %
Stock Option Expense	(10,724)	81,346	(113)%
Administration Expenses	1,819,054	1,659,798	10 %
Foreign Exchange Loss/(Gain)	(29,246)	(66,066)	(56)%
Interest Expense on Long Term Debt	20,949	50,132	(58)%
Amortization of Capital, Intangible and Other Assets	420,100	421,454	-
Earnings before taxes	609,042	1,002,356	(39)%
Income tax expense – current	(356,830)	487,353	(173)%
Income tax recovery – future	221,000	-	-
Net Income	744,872	515,003	45 %
EPS – Basic ¹	0.02	0.02	-
EPS – Diluted ¹	0.02	0.02	-
EBITDA ²	1,050,091	1,473,942	(29)%
Adjusted EBITDA ³	973,922	1,450,349	(33)%
Gross Premiums Earned by Carriers	14,694,771	16,138,542	(9)%

⁽¹⁾ Basic and diluted earnings per share are adjusted to reflect the dividend payments made during the first quarter of 2010 and 2009. At December 31, 2010 the Company had weighted average basic common shares of 32,496,741 (2009 – 28,436,375) and fully diluted common shares of 32,846,537 (2009 – 29,222,171).

⁽²⁾ 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. EBITDA is net income adjusted for interest, taxes and amortization.

⁽³⁾ The Company believes the presentation of Adjusted EBITDA is a useful means of providing investors with additional information in reviewing and analyzing the Company's operating results. Adjusted 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. Adjusted EBITDA is EBITDA adjusted for stock option and equity-based compensation expense and non-cash translation gains and losses associated with the Company's U.S. denominated debt.

About Pethealth

Pethealth is North America's second largest provider of medical insurance for dogs and cats to pet owners, operating in Canada, the United States and the United Kingdom. In addition, the Company is the leading provider of management software to North American animal welfare organisations through its SaaS-based application and is 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, 24PetWatch, Pet Protect, Petpals Direct, ShelterCare, PetPoint, Petango.com and ThePetangoStore.com.

Pethealth is based in Oakville, Ontario. To find out more about Pethealth, visit the web site at 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. 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, other than those required by security laws, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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