Pethealth Inc. Announces Record Revenues of $26.3 million and Its Full Year Results for the Year and Quarter Ended December 31, 2008

OAKVILLE, ON, March 11, 2009. (TSX: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the year and three months ended December 31, 2008.

Financial Highlights

Year ended December 31, 2008

- Total revenue for the year ended December 31, 2008 was a record $26.3 million, up 22% over 2007.
- EBITDA for 2008 was $1.9 million, inclusive of a non-cash $1.4 million accounting charge related to the translation of $US denominated long-term debt, compared to an EBITDA of $2.8 million for the same period in the prior year.
- Operating cash flow (EBITDA plus stock option expenses and non-cash foreign currency accounting translation gains and losses) was $3.5 million for the year, a 15% increase.
- Net income for 2008 was $0.7 million ($0.003 per share after giving effect to the $0.6 million dividend paid during the first quarter of 2008 to holders of the Company's convertible preferred shares), inclusive of a non-cash accounting charge of $1.4 million related to the translation of $US denominated long-term debt as well as $0.2 million related to the amortization of intangible assets related to the Company's Pet Protect acquisition, compared to prior year net income of $2.2 million ($0.055 per share after giving effect to the $0.6 million dividend paid during the first quarter of 2007 to holders of the Company's convertible preferred shares).
- Loss ratio for 2008 for the U.S. / U.K. core pet insurance book of business underwritten by QBE Insurance Group subsidiaries ("QBE") was 41.5%. The Company participates in a portion of its programs' aggregate core policy underwriting results in the United States and the United Kingdom for policies underwritten by QBE.
- Administration costs were 11.2% as a percentage of earned premiums.

Three Months ended December 31, 2008

- Total revenue for the three months ended December 31, 2008 was a record $8.2 million, up 54% over the three months December 31, 2007 and up 19% sequentially from Q3 2008.
- EBITDA for the three months ended December 31, 2008 was ($40,075) inclusive of a non-cash $1.1 million accounting charge related to the translation of $US denominated long-term debt, compared to an EBITDA of $0.7 million for the same period in the prior year.
- Operating cash flow was $1.1 million for the three months ended December 31, 2008, a 41% increase from the same period in the prior year.
- Net loss for the three months ended December 31, 2008 was ($0.5) million (($0.017) per share after giving effect to the $600,000 dividend payment made in the first quarter of 2008) inclusive of a non-cash accounting charge of $1,118,741 related to the translation of $US denominated long-term debt as well as $127,310 related to the amortization of intangible assets related to the Company's Pet Protect acquisition, compared to prior year net income of $0.6 million ($0.020 per share after giving effect to the $600,000 dividend payment made in the first quarter of 2007).

- The 25% decline of the Canadian dollar, over Q4 2007, had a significant impact on the Company's reported three month operating results increasing operating revenues by $1.038-million and operating earnings by $373,000. Q4 2008 was dampened however by a non-cash currency translation accounting charge of $1.1-million associated with carrying U.S. denominated debt..

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, Pet Protect, petPals, ShelterCare, QuickCare, 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 and the development and distribution of PetPoint, its animal shelter management software program. The following table details the operational results from each segment:

	For the Year Ended						
	December 31, 2008			December 31, 2007			
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	One-Time Listing Costs	Total
Operating revenue	$20,640,136	$ 5,580,024	$26,220,160	$17,213,361	$ 4,202,044	$ -	$21,415,405
Interest and other income	121,907	-	121,907	134,329	-	-	134,329
Total revenue	$20,762,043	$ 5,580,024	$26,342,067	$17,347,690	$ 4,202,044	-	$21,549,734
Employment	5,273,055	2,335,670	7,608,725	3,741,492	1,758,017	-	5,499,509
Marketing	6,220,253	511,568	6,731,821	5,387,260	323,185	-	5,710,445
General & administration	4,030,512	896,417	4,926,929	3,397,616	593,187	125,611	4,116,414
Cost of sales	-	3,655,547	3,655,547	-	3,033,639	-	3,033,639
Interest Expense on L/T Debt	145,136	-	145,136	-	-	-	-
Foreign exchange	1,332,309	-	1,332,309	114,337	-	-	114,337
Other	721,596	510,930	1,232,526	598,587	302,178	-	900,765
Total expenses	$17,722,861	$ 7,910,132	$25,632,993	$13,239,292	$ 6,010,206	$ 125,611	$19,375,109
Operating income (loss)	$ 3,039,182	$(2,330,108)	$ 709,074	$ 4,108,398	$(1,808,162)	$ (125,611)	$ 2,174,625
Add:							
Capital asset amortization	504,229	510,930	1,015,159	296,760	302,178	-	598,938
Interest Expense on L/T Debt	145,136	-	145,136	-	-	-	-
Operating EBITDA	$ 3,688,547	$ (1,819,178)	$ 1,869,369	$ 4,405,158	$(1,505,984)	$ (125,611)	$ 2,773,563
Add:							
Stock option expense	217,367	-	217,367	237,650	-	-	237,650
Non operating f/x*	1,386,353	-	1,386,353	-	-	-	-
Operating cash flow	$ 5,292,267	$ (1,819,178)	$ 3,473,089	$ 4,642,808	$(1,505,984)	$ (125,611)	$ 3,011,213

	For the Three Months Ended						
	December 31, 2008			December 31, 2007			
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	One-Time Listing Costs	Total
Operating revenue	$6,489,893	$1,682,341	$8,172,234	$4,281,497	$1,015,914	$ -	$5,297,411
Interest and other income	40,280	-	40,280	33,204	-	-	33,204
Total revenue	$6,530,173	$1,682,341	$8,212,514	$4,314,701	$1,015,914	-	$5,330,615
Employment	1,768,336	702,844	2,471,180	950,560	444,637	-	1,395,197
Marketing	1,956,559	130,436	2,086,995	1,417,119	143,427	-	1,560,546
General & administration	1,322,986	252,846	1,575,832	765,796	78,624	-	844,420
Cost of sales	-	1,039,746	1,039,746	-	700,698	-	700,698
Interest Expense on L/T Debt	88,825	-	88,825	-	-	-	-
Foreign exchange	1,036,377	-	1,036,377	35,132	-	-	35,132
Other	251,680	141,695	393,375	138,825	97,861	-	236,686
Total expenses	$6,424,763	$2,267,567	$8,692,330	$3,307,432	$1,465,247	-	$4,772,679
Operating income (loss)	$ 105,410	$(585,226)	$(479,816)	$1,007,269	$(449,333)	-	$ 557,936
Add:							
Capital asset amortization	209,222	141,695	350,917	76,843	97,861	-	174,704
Interest Expense on L/T Debt	88,825	-	88,825	-	-	-	-
Operating EBITDA	$ 403,457	$(443,531)	$ (40,074)	$1,084,112	$(351,472)	-	$ 732,640
Add:							
Stock option expense	42,458	-	42,458	61,982	-	-	61,982
Non operating f/x*	1,118,741	-	1,118,741	-	-	-	-
Operating cash flow	$1,564,656	$(443,531)	$1,121,125	$1,146,094	$ (351,472)	$ -	$ 794,622

* Non operating f/x is the accounting loss (gain) associated with the translation of the Company's long term debt denominated in United States dollars.

"We are extremely pleased with our overall results for 2008 and in particular our Q4 results," said Mark Warren, President and Chief Executive Officer of Pethealth. "Sequential growth has accelerated over the last six months mainly on the back of the Pet Protect acquisition in the U.K. We are benefiting in the United States from margin expansion and the creation of greater economies in our shelter platform. While we do not claim our business to be recession-proof, we certainly believe that we are operating in a consumer space that is recession-resistant."

Foreign Exchange:

The Company operates in the Canadian, the United States and the United Kingdom markets and is exposed to unpredictable foreign exchange markets.

The United States subsidiaries generate 100% of their revenues in U.S. dollars while expending administrative costs in both U.S. and Canadian dollars. Similarly, Pet Protect earns 100% of its revenues in Pounds Sterling while expending its administrative expenses in both Pounds Sterling and Canadian dollars. The Company expects that as the Pet Protect business becomes more developed within the Pethealth Group the relative administrative expenses incurred in Canadian dollars as a percentage of the total will increase. At present, approximately 80% of the United States administrative costs and 5% of the United Kingdom administrative costs are incurred in Canadian dollars. As such, a reduction in the value of the Canadian dollar relative to the U.S. dollar or the Pound Sterling results in an increase in reported operating revenue and operating earnings as well as a realized increase in cash flow. The opposite is true when the Canadian dollar increases in value relative to its US and UK counterparts.

For the year ended December 31, 2008 the average Canadian dollar exchange rate relative to its U.S. counterpart was flat when compared against the average rate in 2007 and, as such, had little effect on the year over year comparative results as it relates to the North American operations. However, the 25% decline in the Canadian dollar against its US counterpart in the fourth quarter when compared to Q4 2007 had a significant impact on the comparative results for the quarter increasing revenues by approximately $1,037,000 and net income by approximately $373,000,

The Company's reported financial results are also impacted by the non-cash accounting translation of its U.S. dollar denominated long term debt. On July 25, 2008, the Company borrowed directly US$7,098,480 ($7,256,066) to finance the acquisition of Pet Protect Limited. This balance has been reduced to US$6,252,565. As such, non-cash foreign exchange accounting translation gains and losses are recorded on the statement of income and other comprehensive income when the relative value of the exchange rate between the Canadian and U.S. dollar fluctuates. The Company repays its U.S. denominated debt with cash generated from its U.S. business and as such does not experience a cash flow impact from holding U.S. dollar denominated debt. For the period from July 28 through December 31, 2008 an accounting translation loss of $1,386,354 was recorded through the statement of income. For the quarter ended December 31, 2008, an accounting translation loss of $1,118,741 was recorded through the statement of income.

From July 28, 2008 through December 31, 2008, the Canadian dollar depreciated by 12% against the Pound Sterling resulting in a foreign exchange deficit being recorded on the balance sheet as other comprehensive income of $869,704 related to the Company's net investment in Pet Protect, a self sustaining operation.

The Company does not employ a foreign currency derivative hedging program.

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.

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, 35% in Canada and 19% in the United Kingdom (see discussion related to U.K. commissions and fees below). For the year ended December 31, 2008, the Company achieved commission and fee revenue $20,640,136, an increase of 20% over the same period in the prior year. For the three months ended December 31, 2008, the Company achieved commission and fee revenue of $6,489,893 an increase of 52% over the same period in the prior year and a 19% sequential increase over commission and fee revenues reported in Q3 2008.

The pet insurance operations contributed operating income of $3,039,182 to the consolidated net income during the year and $105,410 for the three month period as compared to a contributed operating income of $4,108,398 and $1,007,269 respectively in the prior year. In each case, the current year operating results include non-cash foreign exchange losses associated with the accounting translation of the long term debt of $1,386,354 for the year and $1,118,741 for the quarter and intangible asset amortization associated with the acquisition of $195,889 for the year and $127,310 for the quarter.

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, 2008, administration costs represented 11.2% of earned premiums earned by the Company's carriers inclusive of Pet Protect whose results were included from July 28th through the end of the year. The Company believes that its administrative costs as a percentage of premiums continue to be the best in the industry. All marketing costs are expensed when incurred.

The pet insurance operations achieved operating cash flow (EBITDA plus stock option expense and accounting translation of foreign currency gains and losses) of $5,292,267 for the year and $1,564,656 for the three months ended December 31, 2008 compared to operating cash flow of $4,642,808 and $1,146,094 for the same periods in the prior year, a 14% and 37% respective increase.

United Kingdom Acquisition

On July 28, 2008, the Company completed its acquisition of Pet Protect, a pet insurance intermediary operating in the United Kingdom, from Domestic and General Insurance Group ("D&G"). Under the terms of the agreement, Pethealth acquired 100% of Pet Protect for a purchase price of £3.5-million ($7.1-million) in cash. The purchase price represented 27% of fiscal 2007 gross written premiums placed by Pet Protect or approximately £63.59 ($127) per policy based on 55,041 paid policies in force at closing. The Pet Protect business currently constitutes approximately 3% of the pet insurance market in the United Kingdom. Policies in the U.K. are currently sold under the Pet Protect and the petPals brands.

QBE Insurance (Europe) Limited (**"QBE (Europe)"**), a subsidiary of QBE Insurance Group Limited, acts as the underwriter for the Pet Protect business on a renewals basis. As the Pet Protect policies have annual renewals, D&G will continue to act as an underwriter on a declining basis until September 2009 when it is expected that existing policies will have been renewed by QBE (Europe). Pet Protect earns commission and fee revenues representing approximately 17% of earned premiums for those polices underwritten by D&G and 33% for those policies underwritten by QBE (Europe), plus or minus 2.5% depending on underwriting profitability as described below. The following table outlines the expected blended commission rates which the Company expects to earn from renewal business, in the U.K., during the transition from D&G to QBE (Europe):

	Expected split of renewal premium by Carrier		
Period	QBE (Europe)	D&G	Expected Blended Commission
Q3 - 2008	0%	100%	17%
Q4 - 2008	12.5%	87.5%	19%
Q1 - 2009	37.5%	62.5%	23%
Q2 - 2009	62.5%	37.5%	27%
Q3 - 2009	87.5%	12.5%	31%
Q4 – 2009 and thereafter	100%	0%	33%

Beginning on August 16, 2008, all new policy sales in the United Kingdom were placed with QBE (Europe) earning base commissions and management fees of 33%.

The all cash transaction was financed through a 3-year loan agreement with a recognised financial institution at a fixed interest rate of 4.52%. The loan is repayable in equal monthly instalments over the term. The Company has posted the policy renewals on its U.S. pet insurance portfolio, which is underwritten by the Praetorian Financial Group ("Praetorian") a subsidiary of QBE Insurance Group Limited, as security. The terms of the loan restrict the Company from paying dividends other than to holders of the Company's Series I 6% convertible preferred shares.

Participation in U.S./U.K Underwriting Results:

The underwriting risk associated with the Company's pet insurance policies was borne entirely by its carriers prior to February 9, 2006. The Company announced on February 9, 2006, that it had added Praetorian as an underwriter for its pet insurance policies in the United States. Under the terms of the agreement, the Company participates in a portion of the underwriting results for the policies placed with Praetorian. Pethealth's participation is based on "accident year" results. Accident year is a calculation which assigns all losses (claims) to the year in which the accident or illness was first reported. As a result, the Company applies an Incurred But Not yet Reported (**"IBNR"**) reserve to its calendar year loss ratio to account for claims incurred, but not reported before the year-end date, comprising the time lag between the actual occurrence of the event leading to the claim and its reporting to the insurer. Given the relatively short tail associated with pet insurance claims, the IBNR reserve is relatively modest.

The Pet Protect business, began to transition, on a renewals basis, to QBE (Europe) over a period of twelve months, on October 1, 2008. Under the terms of the agreement with Praetorian, the U.S. and the U.K. underwriting profitability underwritten by Praetorian and QBE (Europe) is aggregated and the Company for policies participates in the underwriting profitability on the same terms as are currently in place on its U.S. portfolio, on a consolidated basis.

The U.K. renewal business began to transition to QBE (Europe) on October 1, 2008. The U.S. and U.K. core underwriting results for policies underwritten by Praetorian and QBE (Europe) in aggregate was 41.5% inclusive of IBNR reserves. The Company participates positively in the aggregate underwriting results for policies underwritten by Praetorian and QBE (Europe) when the actual weighted average accident year loss ratio for those policies placed with these entities is less than 50% and negatively when the actual accident year loss ratio for policies placed with these entities exceeds 50%. For the year and the three months ended December 31, 2008, revenues of $602,625 and $176,554 were recorded related to profit sharing from the aggregated US/UK underwriting results for policies underwritten by Praetorian and QBE (Europe) compared to $472,810 and $131,027 for the same periods in 2007.

<u>Non-Insurance Operations:</u>

Non-insurance revenues are earned from the sale of microchip technology, media and advertising and database and information services leveraging the Company's PetPoint, 24PetWatch and EVE 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, 2008, 1,065 animal welfare organisations had licensed the PetPoint application. During 2008, 1,481,143 animal intakes were completed, up 41% over those recorded in 2007. For Q4 alone, 375,694 animal intakes occurred, up 35% from the same period in the prior year which, assuming the same year on year growth rate, suggests 2,038,500 intakes during 2009. Similarly 554,162 adoptions were recorded through the PetPoint application during 2008, a 47% increase from 2007. For the fourth quarter alone, 160,246 adoptions were completed, a 42% increase from the same period in the prior year which, assuming the same year on year growth rate, suggests 814,600 adoptions for 2009, making PetPoint the most widely used animal management software in North America. As of the date of this release, 1,096 animal welfare organisations had licensed the application. The Company estimates that annualized adoptions completed by animal welfare organizations who have licensed PetPoint represent 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 products 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. The PawsConnect.com site remains in beta format as the Company continues to experiment with its design and with its functionality.

During May 2008, the Company announced the introduction of live search for lost and adoptable pets for shelters and animal welfare organisations running PetPoint. Animal data can now appear instantly on the search function of a shelter's web site, allowing pet owners to search for lost pets and potential pet parents to search for adoptable animals. The Company expects to continue to expand this service through May 2009, when it plans to launch its own national and regional adoptable search platforms.

For the year and three months ended December 31, 2008, the Company generated revenues of $5,580,024 and $1,682,341 respectively from its non-insurance businesses, an increase of 33% and 66% from the $4,202,044 and $1,015,914 generated for the same periods 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 2.0 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 2008 the Company generated revenues of $542,518 from these various non-insurance opportunities.

For the year and three months ended December 31, 2008, the Company's non-insurance business reported an operating loss of ($2,330,108) and ($585,226) respectively as compared to an operating loss of ($1,808,162) and ($449,333) for the same periods in the prior year as the Company continues to invest in the significant build out of its non-insurance platforms.

<u>Consolidated Results</u>

The Company had consolidated net income of $709,074 for the year and net loss of ($479,816) for the three months ended December 31, 2008 as compared to net income of $2,174,625 and $557,936 respectively for the prior year. For 2008, earnings per share were $0.003 vs. $0.053 in the prior year after giving effect to the $600,000 dividend payment made in the first quarter of each year. Fourth quarter earnings per share were ($0.017) vs. $0.019 for the fourth quarter of 2007. EBITDA was $1,869,369 for the year and ($40,074) for the quarter ended December 31, 2008 as compared to $2,773,563 and $732,640 in the prior year. The Company's operating cash flow (EBITDA plus stock option expenses and non-cash foreign currency accounting translation gains and losses) in the year was $3,473,089 and was $1,121,125 for the quarter, an increase of 15% and 41% from that reported in the same periods in the prior year. The Company generated operating cash flows on a per share basis of $0.123 vs. $0.106 in the prior year.

At December 31, 2008, the Company had total assets of $16,725,800 including unrestricted cash resources of $1,868,071 compared to assets of $8,304,715 including unrestricted cash balances of $2,626,636 at the prior year end.

The Company is hosting an investor conference call on Thursday, March 12, 2009 at 8:30 AM (EST) which can be accessed at 1-866-225-0198. For those unable to participate, an instant replay of the call will be available for 7 days at 1-800-408-3053, passcode 6176004.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Twelve Months Ended		
	Dec 31, 2008	Dec 31, 2007	Change %
Insurance Commissions and Fees	$20,640,136	$17,213,361	20%
Microchip Technology and Non-insurance Revenue	5,580,024	4,202,044	33%
Interest and Other Income	121,907	134,329	(9%)
Total Revenue	$26,342,067	$21,549,734	22%
Cost of Sales – Microchip Technology	3,655,547	3,033,639	21%
Marketing Expenses	6,731,821	5,710,445	18%
Employment Expenses	7,608,725	5,499,509	38%
Stock Option Expense	217,367	237,650	(9%)
Administration Expenses	4,926,929	4,116,414	20%
Foreign Exchange	1,332,309	178,514	646%
Interest Expense on Long Term Debt	145,136	-	100%
Amortization of Capital, Intangible and Other Assets	1,015,159	598,938	69%
Net Income For the Period	$709,074	$2,174,625	(67%)
EPS – Basic *	0.003	0.055	
EPS – Diluted *	0.003	0.053	
Add Back: Amortization	1,015,159	598,938	69%
: Interest Expense on Long Term Debt	145,136	-	100%
EBITDA**	$1,869,369	$2,773,563	(33%)
Stock Option Expense	217,367	237,650	(9%)
Foreign exchange translation loss on long term debt	1,386,353	-	100%
Operating Cash Flow	3,473,089	3,011,213	15%
Cash Resources	1,868,071	2,626,636	(29%)
Total Assets	16,725,800	8,304,715	101%
Gross Premiums Earned by Carriers	$53,095,857	$38,978,894	36%

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Quarter Ended		
	Dec 31, 2008	Dec 31, 2007	Change %
Insurance Commissions and Fees	$6,489,893	$4,281,497	52%
Microchip Technology and Non-insurance Revenue	1,682,341	1,015,914	66%
Interest and Other Income	40,280	33,204	21%
Total Revenue	$8,212,514	$5,330,615	54%
Cost of Sales – Microchip Technology	1,039,746	700,698	48%
Marketing Expenses	2,086,995	1,560,546	34%
Employment Expenses	2,471,180	1,395,197	77%
Stock Option Expense	42,458	61,982	(31%)
Administration Expenses	1,575,832	844,420	87%
Foreign Exchange (Gain) Loss	1,036,377	35,132	2850%
Interest Expense on Long Term Debt	88,825	-	100%
Amortization of Capital, Intangible and Other Assets	350,917	174,704	101%
Net Income For the Period	($479,816)	$557,936	(186%)
EPS – Basic *	(0.017)	0.020	
EPS – Diluted *	(0.017)	0.019	
Add Back: Amortization	350,917	174,704	101%
: Interest Expense on Long Term Debt	88,825	-	100%
EBITDA**	($40,074)	$732,640	(105%)
Stock Option Expense	42,458	61,982	(31%)
Foreign exchange translation loss on long term debt	1,118,741	-	100%
Operating Cash Flow	1,121,125	794,622	41%
Gross Premiums Earned by Carriers	$18,185,238	$9,357,237	94%

* Basic and diluted earnings per share are adjusted to reflect the dividend payments made during the first quarter of 2008 and 2007. At December 31, 2008 the Company had weighted average basic common shares of 28,385,087 (2007 – 28,381,727) and fully diluted common shares of 28,385,087 (2007 – 29,145,023).

** The Company believes the presentation of EBITDA and Operating Cash Flow is a useful means of providing investors with additional information in reviewing and analyzing the Company's operating results. EBITDA and Operating Cash Flow are considered to be a non-GAAP earnings measure and do 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 1998, 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, 24PetWatch, PetPoint, and PawsConnect*. The Company is also a provider of pet health insurance in the United Kingdom through its *Pet Protect* and *petPals* brands. Pethealth currently insures approximately 240,000 dogs and cats.

Pethealth is based in Oakville, Ontario. To find out more about Pethealth, visit the website 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 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