



Pethealth Inc. Announces Net Income of \$724,511 and Its Full Results for the Quarter Ended March 31, 2008

OAKVILLE, ON, May 8, 2008. (TSX: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the quarter ended March 31, 2008.

Financial Highlights

Quarter ended March 31, 2008

- Total revenue for the three months ended March 31, 2008 was \$5.54 million, up 3% over the three months ended March 31, 2007 despite the 16.8% appreciation of the Canadian dollar to its US counterpart.
- Net income for the three months ended March 31, 2008 was \$724,511 (\$0.004 per share after giving effect to the \$600,000 dividend payment made in the first quarter of 2008) compared to net income of \$603,872 ((\$0.001) per share after giving effect to the \$600,000 dividend payment made in the first quarter of 2007) recorded in Q1, 2007.
- The 16.8% appreciation of the Canadian dollar had a significant impact on the Company's reported results reducing revenue by \$697,000 and net income by \$190,000.
- EBITDA for Q1 2008 was \$912,829 compared to an EBITDA of \$738,648 for the same period in the prior year.
- The 2008 loss ratio for the U.S. core pet insurance book of business was 42.2% to date. The Company participates in a portion of its programs' underwriting results in the United States.
- Administration costs were 10.8% as a percentage of premiums.

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 Quarter Ended					
	March 31, 2008			March 31, 2007		
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	Total
Operating revenue	\$4,289,160	\$1,225,459	\$5,514,619	\$4,372,633	\$1,000,482	\$5,373,115
Interest and other income	29,903	-	29,903	28,279	-	28,279
Total revenue	4,319,063	1,225,459	5,544,522	4,400,912	1,000,482	5,401,394
Employment	1,067,649	483,055	1,550,704	893,816	420,619	1,314,435
Marketing	1,048,827	158,580	1,207,407	1,407,422	66,173	1,473,595
General & administration	740,321	189,919	930,240	893,415	166,965	1,060,380
Cost of sales	-	878,840	878,840	-	737,614	737,614
Other	138,966	113,854	252,820	147,368	64,130	211,498
Total expenses	\$2,995,763	\$1,824,248	\$4,820,011	\$3,342,021	\$1,455,501	\$4,797,522
Operating income (loss)	\$1,323,300	\$(598,789)	\$724,511	1,058,891	\$(455,019)	\$603,872
Add:						
Capital asset amortization	74,464	113,854	188,318	70,646	64,130	134,776
Operating EBITDA	\$1,397,764	\$(484,935)	\$912,829	\$1,129,537	\$(390,889)	\$738,648

"I am very proud of the results our team generated during our first quarter. To be able to announce higher revenues despite having those revenues compromised by nearly \$700,000, owing to the year on year appreciation of the Canadian dollar, for me represents an outstanding effort by all the members of our organisation," said Mark Warren, President and Chief Executive Officer of Pethealth. "Having said this, it would appear that we will continue to face challenges during the second quarter before the currency impact begins to moderate in Q3 and Q4. In the interim, management is looking closely at ways to alleviate our currency risk associated with the U.S. dollar."

During Q1 2008, 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 16.8% appreciation of the Canadian dollar against its U.S. counterpart had a significant impact on the Company's quarterly reported results. On a pro-forma basis, reported revenues for the quarter would have been approximately \$697,000 higher and net income approximately \$190,000 (\$0.007 per share) higher had Q1 2008 exchange rates mirrored Q1 2007 exchange rates.

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 three months ended March 31, 2008, the Company achieved commission and fee revenue in the United States of \$3,113,376 and \$1,175,784 in Canada for a total of \$4,289,160, a decrease of 2% over the same period in the prior year which reflects the impact of the appreciation of the Canadian dollar.

The Company's U.S. core pet insurance programs produced a loss ratio of 42.2% for Q1 2008 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. Under the terms of the Company's underwriting agreement with the Praetorian Financial Group ("Praetorian"), a subsidiary of QBE Insurance Group, the Company participates in a portion of the underwriting results for core U.S. policies placed with Praetorian. The Company recorded \$136,090 for the first quarter related to profit sharing from U.S. underwriting as compared to \$104,001 for the same period in the prior year.

The pet insurance operations contributed operating income of \$1,323,300 to the consolidated net income during the quarter compared to a contributed operating income of \$1,058,891 in the prior year. Had exchange rates remained consistent with those of Q1 2007, the Company would have reported an additional \$173,000 of operating income related to its insurance operations.

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 first quarter, administration costs represented 10.8% of gross premiums earned by the Company's carriers vs. 9.8% for the same quarter in the prior year. The increase in administration costs as a percentage of premium is the result of the appreciation of the Canadian dollar relative to its US counterpart as the majority of the Company's operations remain in Canada. Indeed, on a currency adjusted basis, administration costs as a percentage of premiums remained flat which the Company continues to believe is the best in the industry. All marketing costs are expensed when incurred. Marketing costs and provisions thereto can fluctuate from period to period depending on the timing of various marketing initiatives.

The pet insurance operations achieved operating EBITDA of \$1,397,764 for Q1 2008 compared to operating EBITDA of \$1,129,537 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 March 31, 2008, 886 animal welfare organisations had licensed the PetPoint application. During Q1 2008, 284,482 animal intakes and 117,834 adoptions were recorded through the PetPoint application, up 39% and 47%, respectively, over Q1 2007, making PetPoint the most widely used animal management software in North America. As of the date of this release, 900 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 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 Q1 2008, the Company generated revenues of \$1,225,459 from its non-insurance businesses, an increase of 22% from the \$1,000,482 earned for 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 Q1 2008, the Company's non-insurance business reported an operating loss of (\$598,789) as compared to an operating loss of (\$455,019) for Q1 2007 as the Company continues to invest in a significant build out its non-insurance platforms.

Consolidated Results

The Company had consolidated net income of \$724,511 for Q1 2008 as compared to net income of \$603,872 for Q1 2007. First quarter earnings per share was \$0.004 vs. a loss of \$(0.001) for the first quarter of 2007 after giving effect to the \$600,000 dividend payment made in the first quarter of each year. The Company's consolidated EBITDA was \$912,829 for the quarter as compared to EBITDA of \$738,648 a year ago.

At March 31, 2008, the Company had total assets of \$8,991,428 including unrestricted cash resources of \$2,311,629.

The Company will be hosting an investor conference call on Friday, May 9, 2008 at 11:00 AM (EST) which can be accessed at 1-877-888-4483. For those unable to participate, an instant replay of the call will be available for 7 days at 1-800-408-3053, passcode 3260320.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Quarter Ended		
	March 31, 2008	March 31, 2007	Change %

Insurance Commissions and Fees	\$4,289,160	\$4,372,633	(2%)
Microchip Technology and Non-insurance Revenue	1,225,459	1,000,482	22%
Interest and Other Income	29,903	28,279	6%
Total Revenue	\$5,544,522	\$5,401,394	3%
Cost of Sales – Microchip Technology	878,840	737,614	19%
Marketing Expenses	1,207,407	1,473,595	(18%)
Employment Expenses	1,550,704	1,314,435	18%
Stock Option Expense	65,001	65,598	(1%)
Administration Expenses	930,240	1,060,380	(12%)
Foreign Exchange	(499)	11,124	
Amortization of Capital, Intangible and Other Assets	188,318	134,776	40%
Net Income For the Period	\$724,511	\$603,872	20%
EPS – Basic *	0.004	(0.001)	
EPS – Diluted *	0.003	(0.001)	
Add Back: Amortization	188,318	134,776	40%
EBITDA**	\$912,829	\$738,648	24%
Stock Option Expense	65,001	65,598	(1%)
Cash Flow From Operations	959,159	784,902	22%
Cash Resources	2,311,629	2,137,736	8%
Total Assets	8,991,428	7,112,257	26%
Gross Premiums Earned by Carriers	\$9,938,170	\$10,041,084	(1.02%)

* Basic and diluted earnings per share are adjusted to reflect the dividend payments made during the first quarter of 2008 and 2007. At March 31, 2008 the Company had weighted average basic common shares of 28,384,043 (2007 – 28,381,535) and fully diluted common shares of 28,954,043 (2007 – 28,381,535) as adjusted to reflect the 1:10 consolidation of common shares which took place on May 28, 2007).

** 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

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.

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