



Pethealth Inc. Announces Record Revenues of \$5.7 million and Its Full Results for the Quarter Ended June 30, 2008

OAKVILLE, ON, August 11, 2008. (TSX: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the quarter and six months ended June 30, 2008.

Financial Highlights

Quarter ended June 30, 2008

- Total revenue for the three months ended June 30, 2008 was a record \$5.7 million, up 6% over the three months ended June 30, 2007 despite the 8.2% appreciation of the Canadian dollar to its US counterpart.
- Net income for the three months ended June 30, 2008 was \$358,777 (\$0.013 per share) compared to prior year net income of \$581,086 (\$0.017 per share)
- The 8.2% appreciation of the Canadian dollar had a significant impact on the Company's reported results reducing revenue by approximately \$370,000 and net income by approximately \$140,000 (\$0.005 per share).
- During the quarter, the Company invested approximately \$120,000 in revamping its ShelterCare insurance program. Non-cash capital asset amortization, associated with the Company's significant investment in its platforms, increased by 42% to \$198,000.
- EBITDA for Q2 2008 was \$556,982 compared to an EBITDA of \$721,071 for the same period in the prior year.
- On July 28, 2008 the Company announced that it had completed its acquisition of Pet Protect Limited ("Pet Protect"), a pet insurance intermediary operating in the United Kingdom, from Domestic & General Group Limited ("D&G"). Pet Protect placed £13.4 million (\$26.8 million) in gross written premiums during its fiscal 2007 year.

Six Months ended June 30, 2008

- Total revenue for the six months ended June 30, 2008 was a record \$11.2 million, up 4% over the six months ended June 30, 2007 despite the 10.9% appreciation of the Canadian dollar to its US counterpart.
- Net income for the six months ended June 30, 2008 was \$1,083,288 (\$0.016 per share after giving effect to the \$600,000 dividend payment made in the first quarter of 2008) compared to prior year net income of \$1,184,958 (\$0.020 per share after giving effect to the \$600,000 dividend payment made in the first quarter of 2007).
- The 10.9% appreciation of the Canadian dollar had a significant impact on the Company's reported results reducing revenue by approximately \$1,067,000 and net income by approximately \$330,000 (\$0.009 per share).
- Non Cash Capital asset amortization, associated with the Company's significant investment in its platforms, increased by 41% to \$387,000.
- EBITDA for the six months ended June 30, 2008 was \$1,469,811 compared to an EBITDA of \$1,459,719 for the same period in the prior year.
- The 2008 loss ratio for the U.S. core pet insurance book of business was 43.1%. The Company participates in a portion of its programs' underwriting results in the United States.
- Administration costs were 11.1% 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 the Three Months Ended						
	June 30, 2008			June 30, 2007			
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	One-Time Listing Costs	Total
Operating revenue	\$4,415,011	\$1,247,123	\$5,662,134	\$4,302,493	\$1,033,167	-	\$5,335,660
Interest and other income	25,903	-	25,903	42,579	-	-	42,579
Total revenue	\$4,440,914	\$1,247,123	\$5,688,037	\$4,345,072	\$1,033,167	-	\$5,378,239
Employment	1,033,930	595,945	1,629,875	954,799	449,317	-	1,404,116
Marketing	1,339,463	220,561	1,560,024	1,163,833	59,264	-	1,223,097
General & administration	919,102	151,575	1,070,677	866,582	169,716	125,611	1,161,909
Cost of sales	-	801,816	801,816	-	758,842	-	758,842
Other	143,973	122,895	266,868	181,637	67,552	-	249,189
Total expenses	\$3,436,468	\$1,892,792	\$5,329,260	\$3,166,851	\$1,504,691	\$ 125,611	\$4,797,153
Operating income (loss)	\$1,004,446	\$(645,669)	\$ 358,777	\$1,178,221	\$(471,524)	\$ (125,611)	\$581,086
Add:							
Capital asset amortization	75,310	122,895	198,205	72,433	67,552	-	139,985
Operating EBITDA	\$1,079,756	\$(522,774)	\$556,982	\$1,250,654	\$(403,972)	\$ (125,611)	\$721,071

	For the Six Months Ended						
	June 30, 2008			June 30, 2007			
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	One-Time Listing Costs	Total
Operating revenue	\$8,704,171	\$2,472,582	\$11,176,753	\$8,675,127	\$2,033,649	-	\$10,708,776
Interest and other income	55,806	-	55,806	70,857	-	-	70,857
Total revenue	\$8,759,977	\$2,472,582	\$11,232,559	\$8,745,984	\$2,033,649	-	\$10,779,633
Employment	2,101,579	1,079,000	3,180,579	1,848,615	869,936	-	2,718,551
Marketing	2,388,290	379,141	2,767,431	2,571,255	125,437	-	2,696,692
General & administration	1,659,423	341,494	2,000,917	1,759,997	336,681	125,611	2,222,289
Cost of sales	-	1,680,656	1,680,656	-	1,496,456	-	1,496,456
Other	282,939	236,749	519,688	329,005	131,682	-	460,687
Total expenses	\$6,432,231	\$3,717,040	\$10,149,271	\$6,508,872	\$2,960,192	\$125,611	\$9,594,675
Operating income (loss)	\$2,327,746	\$(1,244,458)	\$1,083,288	\$2,237,112	\$(926,543)	\$(125,611)	\$1,184,958
Add:							
Capital asset amortization	149,774	236,749	386,523	143,079	131,682	-	274,761
Operating EBITDA	\$2,477,520	\$(1,007,709)	\$1,469,811	\$2,380,191	\$(794,861)	\$(125,611)	\$1,459,719

"Our second quarter results continued to demonstrate the success of our business model and the successful execution of our strategy," said Mark Warren, President and Chief Executive Officer of Pethealth. "Notwithstanding the uphill battle against the Canadian dollar which dampened earnings by 28% for the quarter and 24% for the first six months, and our decision in Q2 to make significant investments in both our platforms and our ShelterCare insurance program, we have delivered solid earnings over the first half of the year. With the Canadian dollar's appreciation over the last year having now worked its way through our operations, the overall build-out of our business and our successful acquisition of Pet Protect which grows our insurance operations by over 50%, will mean robust revenue and earnings growth over the next several quarters."

During the quarter and six month periods ended June 30, 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 8.2% and 10.9% respective appreciations of the Canadian dollar against its U.S. counterpart had a significant impact on the Company's reported results. On a pro-forma basis, reported revenues for the quarter and six month period would have been approximately \$370,000 and approximately \$1,067,000 higher and net income approximately \$140,000 (\$0.005 per share) and approximately \$330,000 (\$0.009 per share) higher had the respective 2008 exchange rates mirrored those in place during the same periods in 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 three months ended June 30, 2008, the Company achieved commission and fee revenue in the United States of \$3,222,812 and \$1,192,199 in Canada for a total of \$4,415,011, an increase of 3% over the same period in the prior year. For the six months ended June 30, 2008, the Company achieved commission and fee revenue in the United States of \$6,336,188 and \$2,367,983 in Canada for a total of \$8,704,171, an increase of 0.3% over the same period in the prior year. In each case the increase is inclusive of the impact of the appreciation of the Canadian dollar.

The Company's U.S. core pet insurance programs produced a loss ratio of 43.1% for the six months ended June 30, 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 \$137,690 for the second quarter and \$273,509 year to date related to profit sharing from U.S. underwriting as compared to \$112,205 and \$170,129 for the same periods in the prior year.

The pet insurance operations contributed operating income of \$1,004,446 to the consolidated net income during the quarter and \$2,327,746 in the quarter compared to a contributed operating income of \$1,178,221 and \$2,237,112 respectively in the prior year. Had exchange rates remained consistent with those of Q2 2007, the Company would have reported an additional approximate \$105,000 of operating income for the quarter and approximately \$278,000 year to date related to its insurance operations for a year to date increase of 11.9% over the prior year.

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 six months ended June 30, 2008, administration costs represented 11.1% of gross premiums earned by the Company's carriers vs. 9.7% for the same period 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 relatively 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. During the second quarter, the Company revamped its ShelterCare program to include modified coverage and introduce both a 15-day extension offer and a tenant program. The revamped programs were marketed to the animal welfare organisations running PetPoint during the second quarter. The Company

believes that these revamped programs will have greater appeal to the adopting pet owner, thus improving the programs' overall conversion rate on to its core programs.

The pet insurance operations achieved operating EBITDA of \$1,079,756 for the quarter and \$2,477,520 year to date compared to operating EBITDA of \$1,250,654 and \$2,380,191 for the same periods in the prior year.

On July 28, 2008, the Company completed its acquisition of Pet Protect, a pet insurance intermediary operating in the United Kingdom, from D&G. Under the terms of the agreement, Pethealth acquired 100% of Pet Protect for a purchase price of £3.5-million (\$7-million) in cash. The purchase price represents 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. Distribution partners currently include AnimalCare Group PLC, the leading provider of microchip technology for companion animals in the U.K.

In fiscal 2007, Pet Protect's policy base generated gross written premiums of £13.4 million (\$26.8 million). The Pet Protect business is expected to be accretive to the net earnings of Pethealth in 2009 generating commission revenues for the Company at a rate of approximately 30% of total written premiums.

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 to be repaid in equal monthly installments over the term. The security for the loan is being provided by Pethealth using the policy renewals on its U.S. book of business which is underwritten by Praetorian, a wholly owned subsidiary of QBE the Americas. 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. QBE Insurance (Europe) Limited has agreed to act 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 for approximately the next twelve months until such time as all existing policies have been renewed to QBE. No agency fees were paid by Pethealth to any third party in the arrangement of the acquisition or the financing.

The Company will report on the results of Pet Protect on a consolidated basis from July 28, 2008.

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 June 30, 2008, 950 animal welfare organisations had licensed the PetPoint application. During Q2 2008, 395,740 animal intakes were completed bringing the year to date total to 680,222, up 47% and 43% over those recorded for the same periods in the prior year. Similarly, 125,434 adoptions were recorded through the PetPoint application bringing the year to date total to 243,268, up 33% and 34%, respectively, over the prior year, making PetPoint the most widely used animal management software in North America. As of the date of this release, 972 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 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 1.6 million cat and dog registrations and which is currently growing by approximately 60,000 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. During the second quarter, the Company launched its first of two significant add-ons to the platform; its Business to Business network site for animal welfare employees. The Company intends to keep PawsConnect.com in beta format until such time as it has completed its second significant add-on, the launch of its adoptable search platform. The Company believes that, once these two initiatives have been fully 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.

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 quarter and six months ended June 30, 2008, the Company generated revenues of \$1,247,123 and \$2,472,582 respectively from its non-insurance businesses, an increase of 21% and 22% from the \$1,033,167 and \$2,033,649 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 1.6 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 the quarter and six months ended June 30, 2008, the Company's non-insurance business reported an operating loss of (\$645,669) and (\$1,244,458) respectively as compared to an operating loss of (\$471,524) and (\$926,543) for the same periods in the prior year as the Company continues to invest in the significant build out its non-insurance platforms.

Consolidated Results

The Company had consolidated net income of \$358,777 for the quarter and \$1,083,288 for the six months ended June 30 as compared to net income of \$581,086 and \$1,184,958 for the prior year. Second quarter earnings per share was \$0.013 vs. \$0.017 for the second quarter of 2008. For the first six months of 2008, earnings per share was \$0.016 vs. \$0.016 in the prior year after giving effect to the \$600,000 dividend payment made in the first quarter of each year. The Company's consolidated EBITDA in the quarter was \$556,982 and was \$1,469,811 for the current year to date as compared to EBITDA of \$721,071 and \$1,459,719 a year ago.

At June 30, 2008, the Company had total assets of \$9,351,916 including unrestricted cash resources of \$2,007,045.

The Company will be hosting an investor conference call on Monday, August 11, 2008 at 11:30 AM (EST) which can be accessed at 1-866-300-4047. For those unable to participate, an instant replay of the call will be available for 7 days at 1-800-408-3053, passcode 3268315.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Quarter Ended		
	June 30, 2008	June 30, 2007	Change %
Insurance Commissions and Fees	\$4,415,011	\$4,302,493	3%
Microchip Technology and Non-insurance Revenue	1,247,123	1,033,167	21%
Interest and Other Income	25,903	42,579	(39%)
Total Revenue	\$5,688,037	\$5,378,239	6%
Cost of Sales – Microchip Technology	801,816	758,842	6%
Marketing Expenses	1,560,024	1,223,097	28%
Employment Expenses	1,629,875	1,404,116	16%
Stock Option Expense	55,972	56,151	(0.3%)
Administration Expenses	1,070,677	1,161,909	(8%)
Foreign Exchange	12,691	53,053	
Amortization of Capital, Intangible and Other Assets	198,205	139,985	42%
Net Income For the Period	\$358,777	\$581,086	(38%)
EPS – Basic *	0.013	0.021	
EPS – Diluted *	0.013	0.017	
Add Back: Amortization	198,205	139,985	42%
EBITDA**	\$556,982	\$721,071	(23%)
Stock Option Expense	55,972	56,151	(0.3%)
Cash Flow From Operations	612,954	777,222	(21%)
Cash Resources	2,007,045	2,172,802	(8%)
Total Assets	9,351,917	7,320,987	28%
Gross Premiums Earned by Carriers	\$9,963,340	\$9,863,445	1%

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For Six Month Ended		
	June 30, 2008	June 30, 2007	Change %
Insurance Commissions and Fees	\$8,704,171	\$8,675,127	0.3%
Microchip Technology and Non-insurance Revenue	2,472,582	2,033,649	22%
Interest and Other Income	55,806	70,857	(21%)
Total Revenue	\$11,232,559	\$10,779,633	4%
Cost of Sales – Microchip Technology	1,680,656	1,496,456	12%
Marketing Expenses	2,767,431	2,696,692	3%
Employment Expenses	3,180,579	2,718,551	17%
Stock Option Expense	120,973	121,749	(1%)
Administration Expenses	2,000,917	2,222,289	(10%)
Foreign Exchange	12,192	64,177	
Amortization of Capital, Intangible and Other Assets	386,523	274,761	41%
Net Income For the Period	\$1,083,288	\$1,184,958	(9%)
EPS – Basic *	0.016	0.020	
EPS – Diluted *	0.016	0.016	
Add Back: Amortization	386,523	274,761	41%
EBITDA**	\$1,469,811	\$1,459,719	1%
Stock Option Expense	120,973	121,749	(1%)
Cash Flow From Operations	1,590,784	1,581,468	1%
Gross Premiums Earned by Carriers	\$19,901,510	\$20,025,377	(1%)

* Basic and diluted earnings per share are adjusted to reflect the dividend payments made during the first quarter of 2008 and 2007. At June 30, 2008 the Company had weighted average basic common shares of 28,384,689 (2007 – 28,381,535) and fully diluted common shares of 28,647,485 (2007 – 34,120,343) 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.

On July 28, 2008, the Company announced that it had acquired the shares of Pet Protect Limited ("Pet Protect"), an insurance intermediary in the United Kingdom, from Domestic and General Group Limited ("D&G").

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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