



***Pethealth Inc. Announces Net Income of \$431,731 for Q3 and its full Results for the Quarter and Nine Months Ended September 30, 2007***

**OAKVILLE, ON, November 12, 2007.** (TSX: PTZ) Pethealth Inc. ("Pethealth" or "the Company") today announced its financial results for the quarter and nine months ended September 30, 2007.

**Financial Highlights**

***Quarter ended September 30, 2007***

- Total revenue for the three months ended September 30, 2007 was \$5.4 million, up 15% over the three months ended September 30, 2006.
- Net income for the three months ended September 30, 2007 was \$431,731 as compared to net income of \$288,452 recorded in Q3, 2006, a 50% increase. Earnings per share were \$0.015 for the quarter vs. \$0.010 for the same quarter in the prior year.
- EBITDA for Q3 2007 was \$581,204 compared to an EBITDA of \$410,719 for the same period in the prior year, up 42%.
- Gross premiums earned by the Company's insurance carriers were \$9.72 million for the three months ended September 30, 2007, up 7% from the same period in the prior year.

***Nine months ended September 30, 2007***

- Total revenue for the nine months ended September 30, 2007 was \$16.2 million, up 18% over the nine months ended September 30, 2006.
- Net income for the nine months ended September 30, 2007 was \$1,616,689 (\$0.035 per share after deducting the \$600,000 paid as a dividend in the first quarter of 2007), compared to net income of \$227,630 ((\$0.014) per share loss after giving effect to the dividend payment made in the first quarter of 2006) recorded in the prior year, an increase of 610%.
- EBITDA for the nine months ended September 30, 2007 was \$2,040,923 compared to EBITDA of \$586,401 for the same period in the prior year, up 248%.
- The cumulative calendar 2007 loss ratio for the U.S. core pet insurance book of business stood at 47.8% as at September 30, 2007. The Company participates in a portion of its programs' underwriting results in the United States.
- Gross premiums earned by the Company's insurance carriers were \$29.7 million for the nine months ended September 30, 2007, up 10% from the same period in the prior year.

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

**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, CherryBlue and other co-branded, white labeled or private labeled 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 Three Months Ended					
	September 30, 2007			September 30, 2006		
	Insurance	Non-Insurance	Total	Insurance	Non-Insurance	Total
Operating revenue	\$4,256,737	\$1,152,481	\$5,409,218	\$3,805,835	\$885,166	\$4,691,001
Interest and other income	30,268	-	30,268	27,610	-	27,610
<b>Total revenue</b>	<b>\$4,287,005</b>	<b>\$1,152,481</b>	<b>\$5,439,486</b>	<b>\$3,833,445</b>	<b>\$885,166</b>	<b>\$4,718,611</b>
Employment	942,317	443,444	1,385,761	846,883	339,883	1,186,766
Marketing	1,398,886	54,321	1,453,207	1,411,149	92,361	1,503,510
General & administration	871,823	177,882	1,049,705	770,181	145,676	915,857
Cost of sales	-	836,485	836,485	-	608,008	608,008
Other	209,962	72,635	282,597	173,518	42,500	216,018
<b>Total expenses</b>	<b>\$3,422,988</b>	<b>\$1,584,767</b>	<b>\$5,007,755</b>	<b>\$3,201,731</b>	<b>\$1,228,428</b>	<b>\$4,430,159</b>
Operating income (loss)	\$864,017	\$(432,286)	\$431,731	\$631,714	\$(343,262)	\$288,452
Add:						
Capital asset amortization	76,838	72,635	149,473	79,767	42,500	122,267
<b>Operating EBITDA</b>	<b>\$940,855</b>	<b>\$(359,651)</b>	<b>\$581,204</b>	<b>\$711,481</b>	<b>\$(300,762)</b>	<b>\$410,719</b>

	For the Nine Months Ended						
	September 30, 2007				September 30, 2006		
	Insurance	Non-Insurance	One-Time Listing Costs	Total	Insurance	Non-Insurance	Total
Operating revenue	\$12,931,864	\$3,186,130	-	\$16,117,994	\$11,189,194	\$2,448,349	\$13,637,543
Interest and other income	101,125	-	-	101,125	78,610	-	78,610
<b>Total revenue</b>	<b>\$13,032,989</b>	<b>\$3,186,130</b>	<b>-</b>	<b>\$16,219,119</b>	<b>\$11,267,804</b>	<b>\$2,448,349</b>	<b>\$13,716,153</b>
Employment	2,790,932	1,313,380	-	4,104,312	2,598,132	938,864	3,536,996
Marketing	3,970,141	179,758	-	4,149,899	4,632,869	278,550	4,911,419
General & administration	2,631,820	514,563	125,611	3,271,994	2,347,611	433,282	2,780,893
Cost of sales	-	2,332,941	-	2,332,941	-	1,625,829	1,625,829
Other	538,967	204,317	-	743,284	506,784	126,602	633,386
<b>Total expenses</b>	<b>\$9,931,860</b>	<b>\$4,544,959</b>	<b>\$125,611</b>	<b>\$14,602,430</b>	<b>\$10,085,396</b>	<b>\$3,403,127</b>	<b>\$13,488,523</b>
Operating income (loss)	\$3,101,129	\$(1,358,829)	\$(125,611)	\$1,616,689	\$1,182,408	\$(954,778)	\$227,630
Add:							
Capital asset amortization	219,917	204,317	-	424,234	232,169	126,602	358,771
<b>Operating EBITDA</b>	<b>\$3,321,046</b>	<b>\$(1,154,512)</b>	<b>\$(125,611)</b>	<b>\$2,040,923</b>	<b>\$1,414,577</b>	<b>\$(828,176)</b>	<b>\$586,401</b>

"The further rise in the Canadian dollar overshadowed what was otherwise another tremendous quarter for the Company," said Mark Warren, President and Chief Executive Officer of Pethealth. "Indeed, on a currency equalised basis, our net earnings would have been over 40% higher than what we are reporting today. While as a Company we cannot ignore the Canadian dollar's rise, we are for the time being making adjustments to our business plan only at the margin, and will continue to pursue key strategic initiatives which we believe will significantly enhance earnings over the longer term."

#### 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 37%. For the three months ended September 30, 2007, the Company achieved commission and fee revenue of \$4,287,005, an increase of 12% over the same period in the prior year. For the nine months ended September 30, 2007, the Company achieved commission and fee revenue of \$13,032,989, an increase of 16% over the same period in the prior year.

The Company's U.S. core pet insurance programs produced a loss ratio of 47.8% for the first nine months of 2007 inclusive of a 3.0% Incurred But Not yet Reported ("IBNR") reserve. The IBNR reserve accounts for claims incurred, but not reported before the period-end date, comprising the time lag between the actual occurrence of the event leading to the claim and its reporting to the insurer. During the second quarter of 2006, the Company began to place business in certain U.S. states with Praetorian Insurance Group. Under the terms of the agreement, the Company participates in a portion of the underwriting results for policies placed with Praetorian. For the nine months ended September 30, 2007, 70% of the programs' U.S. core earned premiums were placed with Praetorian resulting in \$108,084 being recorded in the third quarter and \$278,213 being recorded in the first nine months of 2007 relating to expected profit sharing from U.S. underwriting. The volume of business placed with Praetorian is expected to reach 100% by December 31, 2007.

The pet insurance operations contributed operating income of \$864,017 to the consolidated net income during the quarter and \$3,101,129 for the year to date. This compares to a contributed operating income of \$631,714 and \$1,182,408 in the prior year.

The 37% and 162% year on year increase in operating income for the third quarter and nine months year to date can be largely attributed to continued strong premium growth and program efficiencies. Administration costs, consisting of claims adjudication, medical underwriting, billing, and customer service but excluding corporate expenses, are measured on a percentage of premium basis. For the third quarter, administration costs represented 10% of gross premiums earned by the Company's carriers vs. 9.4% 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. Marketing costs incurred in the third quarter were comparable to those incurred in the same period in the prior year. All marketing costs are expensed when incurred and can fluctuate by quarter depending on the timing of various marketing campaigns. The pet insurance operations achieved EBITDA of \$940,855 for the period compared to EBITDA of \$711,481 in the prior year and current year to date EBITDA of \$3,321,046 compared to EBITDA of \$1,414,577 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.

On October 22, 2007, the Company announced that on or about November 15, 2007 it would launch PawsConnect.com, a 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, unique pet owners who have created a user profile on the site, will be initially driven by

leveraging the 24PetWatch database of pet owners, which currently exceeds 1.3 million cat and dog registrations and which is currently growing by approximately 50,000 registrations per month. The Company also expects to augment the 24PetWatch audience through the use of unique viral marketing campaigns designed to drive incremental membership. The Company expects that the demographic make-up of the pet adopting public is such that it will attract on-line advertising and media campaigns from groups targeting this demographic such as national brands and retailers.

For Q3 2007, the Company generated revenues of \$1,152,481 from its non-insurance businesses, an increase of 30% from the \$885,166 earned in Q3 of last year. For the nine months ended September 30, 2007, the Company generated revenues of \$3,186,130 from its non-insurance businesses, an increase of 30% from the \$2,448,349 earned in the same period last year. In addition to the sale of microchip technology, the Company expects to continue to generate revenues from various non-insurance opportunities which may include, amongst other things, the sale of products and services to the 24PetWatch database which, as of today's date, reached 1,343,000 pet registrations, agency fees from manufacturers and retailers accessing PetPoint for distribution and from other third parties looking to improve their distribution capabilities to pet adopters.

For the three months ended September 30, 2007 the Company's non-insurance business reported an operating loss of (\$432,286) as compared to an operating loss of (\$343,262) for the same period in the prior year. For the nine months ended September 30, 2007 the Company's non-insurance business reported an operating loss of (\$1,358,829) as compared to an operating loss of (\$954,778) for the same period in the prior year as the Company continues to invest in building and expanding its 24PetWatch database of pet owners and the percentage of North American pet adoptions which are completed through PetPoint.

#### Consolidated Results

The Company had consolidated net income of \$431,731 for the quarter as compared to net income of \$288,452, for the same period in the prior year and consolidated net income of \$1,616,689 for the first nine months of 2007 as compared to \$227,630, for the same period in the prior year. Earnings per share were \$0.015 for the quarter vs. \$0.010 for the same period in the prior year and \$0.035 for the nine months ended September 30, 2007 vs. a loss per share of (\$0.014) for the same period in the prior year. The nine month earnings per share numbers reflect the \$600,000 dividend payment made in Q1 of both the current and prior year. The Company's consolidated EBITDA was \$581,204 for the three months ended September 30, 2007 as compared to EBITDA of \$410,719 for the same period in the prior year. For the nine months ended September 30, 2007, the Company's consolidated EBITDA was \$2,040,923 as compared to EBITDA of \$586,401 for the same period in the prior year.

At September 30, 2007, the Company had total assets of \$7,544,510 including unrestricted cash resources of \$2,309,606.

The Company will be hosting an investor conference call on Monday, November 12th, 2007 at 11:00 AM (EST) which can be accessed at 1-800-952-4972. For those unable to participate, an instant replay of the call will be available for 7 days at 1-800-408-3053, passcode 3241007#.

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For the Three Months Ended		
	September 30, 2007	September 30, 2006	Change %
Insurance Commissions and Fees	\$4,256,737	\$3,805,835	12%
Microchip Technology and Non-insurance Revenue	1,152,481	885,166	30%
Interest and Other Income	30,268	27,610	10%
Total Revenue	\$5,439,486	\$4,718,611	15%
Cost of Sales – Microchip Technology	836,485	608,008	38%
Marketing Expenses	1,453,207	1,503,510	(3%)
Employment Expenses	1,385,761	1,186,766	17%
Stock Option Expense	53,919	93,793	(43%)
Administration Expenses	1,049,705	915,857	15%
Foreign Exchange	79,205	(42)	
Amortization of Capital, Intangible and Other Assets	149,473	122,267	22%
Net Income For the Period	\$431,731	\$288,452	50%
EPS – Basic **	0.015	0.010	
EPS – Diluted **	0.013	0.008	
Add Back: Amortization	149,473	122,267	22%
EBITDA*	\$581,204	\$410,719	42%
Stock Option Expense	53,919	93,793	(43%)
Cash Flow From Operations	635,123	504,512	26%
Cash Resources	2,309,606	1,996,046	16%
Total Assets	7,544,509	6,512,019	16%
Gross Premiums Earned by Carriers	\$9,717,128	\$9,116,546	7%

CONSOLIDATED FINANCIAL HIGHLIGHTS:	For the Nine Months Ended		
	September 30, 2007	September 30, 2006	Change %
Insurance Commissions and Fees	\$12,931,864	\$11,189,194	16%
Microchip Technology and Non-insurance Revenue	3,186,130	2,448,349	30%
Interest and Other Income	101,125	78,610	29%
Total Revenue	\$16,219,119	\$13,716,153	18%
Cost of Sales – Microchip Technology	2,332,941	1,625,829	43%
Marketing Expenses	4,149,899	4,911,419	(16%)
Employment Expenses	4,104,312	3,536,996	16%
Stock Option Expense	175,668	277,438	(37%)
Administration Expenses	3,271,994	2,780,893	18%
Foreign Exchange	143,382	(2,823)	
Amortization of Capital, Intangible and Other Assets	424,234	358,771	18%
Net Income For the Period	\$1,616,689	\$227,630	610%
EPS – Basic **	0.035	(0.014)	
EPS – Diluted **	0.029	(0.014)	
Add Back: Amortization	424,234	358,771	18%
EBITDA*	\$2,040,923	\$586,401	248%
Stock Option Expense	175,668	277,438	(37%)
Cash Flow From Operations	2,216,591	863,839	157%
Gross Premiums Earned by Carriers	\$29,742,505	\$27,013,763	10%

\* 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.

\*\* Basic and diluted earnings per share are adjusted to reflect the dividend payments made during the first quarter of 2007 and 2006.

## **About Pethealth**

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

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

## **Forward-Looking Statements**

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

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

## **Investor Relations Contacts:**

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