



PARETO

PARETO ANNOUNCES DOUBLING OF REVENUES IN 2004

*Strength in core operations coupled with strategic initiatives
propel Pareto's profitable growth*

TORONTO, ONTARIO, March 10, 2005 – Pareto Corporation (TSX: PTO) today announced its financial results for the fourth quarter and the year ended December 31, 2004.

Highlights for 2004 included:

- Revenue of \$38.7 million, up from \$19.1 million in 2003;
- EBITDA of \$3.4 million, up from \$1.1 million in 2003;
- Net income of \$2.5 million, or \$0.07 per share (diluted), up from \$461,863, or \$0.01 per share in 2003;
- Significant revenue growth generated from recently introduced service offerings such as Loyalty & Incentives, Fulfillment & Distribution, and Tactical Field Marketing;
- The acquisition of Barry Rayner Associates Inc. (B.R.A.), a turnkey marketing services firm with a long-term relationship with Ford Motor Company; and
- The successful start-up of Elevate Incentives Inc., a subsidiary formed to manage and administer Aeroplan Miles as employee and sales incentives.

“Pareto’s objective is to build Canada’s leading marketing services company through a combination of organic and acquisitive growth, and in 2004 we succeeded in both areas,” said Kerry Shapansky, President and Chief Executive Officer of Pareto. “We added 23 new customers, and with our expanded service offering and track record of delivering measurable results, we were able to grow our relationships with existing clients. As a result we achieved an organic revenue growth rate of 78% over 2003 sales.”

Mr. Shapansky added: “Our strategic efforts over the past several years have been to build, acquire and partner with the necessary components to establish a comprehensive marketing services platform. The four pillars of our organization – retail solutions, managed solutions, event solutions and incentive solutions – provide us with the platform to execute all components of a customer’s “below-the-line” marketing program. In an environment where corporations are looking for alternatives to traditional advertising, Pareto is ideally situated to help them develop and execute on their strategies.”

Financial Review

Revenue for the year ended December 31, 2004 was \$38.7 million, an increase of 103% from \$19.1 million in 2003. The growth is attributable to a combination of increased sales to existing customers (accounting for 38% of revenue growth), new customers (38% of the growth), and the acquisition of B.R.A. (24%).

Revenue in the fourth quarter of 2004 was \$17.0 million, a substantial increase from \$6.5 million generated in the fourth quarter of 2003.

“We experience some seasonality in our results, with the second and fourth quarters typically outperforming the others,” said Mr. Shapansky. “This year was no exception, as all areas of our business made great progress last quarter. One incentive solutions project in particular, a holiday promotion for a new customer we signed in 2004, generated over \$5 million for us in the fourth quarter alone. In addition, this was the first period in which Pareto recognized a full three months of revenue from B.R.A.”

The fourth quarter was also notable for the agreement reached with Aeroplan, which led to the formal launch on January 1, 2005 of Elevate Incentives Inc., a wholly owned unit of Pareto Corporation. This new business represents a key component of Pareto’s growth strategy. Elevate holds exclusive rights to extend the Aeroplan loyalty program to organizations looking for a new way to incent and reward performance among employees or distribution channels.

With expenses growing more slowly than revenues, Pareto was more profitable in 2004. EBITDA rose to \$3.4 million in 2004 from \$1.1 million in 2003. EBITDA was 8.8% of revenue, compared to 5.8% of revenue in 2003. Net income for 2004 was \$2.5 million, or \$0.07 per share on a diluted basis, up considerably from \$461,863 or \$0.01 per share in 2003.

Pareto finished the year with a cash position of \$964,056. Subsequent to year-end, in January 2005, Pareto raised an additional \$1 million through a private placement of one million shares at \$1.00 per share.

Conference Call

Pareto will host an investor conference call to discuss these results at 4:30 p.m. EST, March 10, 2004.

DIAL-IN NUMBER:	416-850-1243 or 1-800-814-3911
TAPED REPLAY:	416-640-1917 or 1-877-289-8525
	Available until March 17, 2005
	Reference Number: 21116553
WEBCAST:	www.pareto.ca (“Investors” section)

Annual and Special Meeting

Pareto will hold its Annual and Special Meeting of shareholders on Tuesday, April 26, 2005 at 4:30 p.m. The meeting will take place in the Gallery of the TSX Broadcast and Conference Centre, in the Exchange Tower, 130 King Street West, Toronto. Pareto invites all shareholders and other interested parties to attend.

About Pareto Corporation

Pareto Corporation is a marketing services company that offers retail, incentive, event and managed solutions to leading Canadian companies in the financial services, automotive, retail, communications, pharmaceutical, service and technology sectors. Pareto provides measurable, quantifiable services that complement our clients’ marketing and sales departments and deliver big value to their vital business relationships. For more information, please visit our website at www.pareto.ca.

For further information, contact:

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This press release contains forward-looking statements related to expected future events and financial operating results of Pareto that involve risks and uncertainties. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including market and general economic conditions and the risks and uncertainties detailed from time to time in Pareto's SEDAR filings.

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.

Pareto Corporation Consolidated Summary Financial Information

For periods ended December 31

	Three Months (unaudited)		Twelve Months	
	2004	2003	2004	2003
Revenues	\$ 16,956,135	\$ 6,474,964	\$ 38,745,207	\$ 19,128,661
EBITDA ¹	1,711,556	444,624	3,402,778	1,107,971
Cash flow from operations	1,644,952	748,735	3,162,765	1,918,091
Net earnings for the period	1,193,753	234,386	2,486,067	461,863
Diluted earnings per share	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.01

¹ Pareto uses EBITDA (earnings before amortization, net interest and finance charges, share-based compensation, loss on lease termination, income taxes and non-controlling interest), a non-GAAP measure to assess performance. EBITDA is presented solely as a supplemental disclosure as Pareto believes it provides useful information in reviewing operating performance. Securities regulators require that issuers caution readers that measures adjusted to a basis other than generally accepted accounting principles (GAAP) do not have standardized meaning under GAAP and are unlikely to be comparable to similar measures used by other companies.

Pareto Corporation Consolidated Balance Sheets

December 31	2004	2003
Assets		
Current assets		
Cash	\$ 964,056	\$ 947,441
Accounts receivable	8,265,330	4,462,394
Income taxes recoverable	403,753	19,595
Work in progress	1,161,067	1,661,336
Inventory and other current assets	540,127	324,362
Current future income tax assets	359,532	222,545
	11,693,865	7,637,673
Deferred costs and other assets	869,839	482,124
Capital assets	1,158,899	576,800
Goodwill and intangible assets	11,244,166	6,069,684
	\$ 24,966,769	\$ 14,766,281
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,004,616	\$ 4,156,929
Current portion of deferred revenue	5,168,782	3,555,790
Current future income tax liabilities	82,784	33,672
Current portion of acquisition notes payable	435,000	856,250
Current portion of long-term debt	500,000	700,000
	14,191,182	9,302,641
Long-term deferred revenue	-	627,532
Long-term future income tax liabilities	448,576	198,333
Acquisition notes payable	-	100,000
Long-term debt	1,500,000	-
	16,139,758	10,228,506
Total liabilities	16,139,758	10,228,506
Non-controlling interest	161,633	137,599
	161,633	137,599
Shareholders' equity		
Share capital	5,867,592	4,240,499
Contributed surplus	185,814	118,012
Special warrants	46,400	93,200
Common share purchase warrants	131,040	-
Retained earnings (deficit)	2,434,532	(51,535)
	8,665,378	4,400,176
Total shareholders' equity	8,665,378	4,400,176
	\$ 24,966,769	\$ 14,766,281

Pareto Corporation
Consolidated Statements of Operations and
Retained Earnings (Deficit)

For the years ended December 31	2004	2003
Revenue	\$ 38,745,207	\$ 19,128,661
Operating and administrative expenses	35,342,429	18,020,690
	3,402,778	1,107,971
Amortization of capital assets	303,348	426,886
Amortization of intangible assets and deferred costs	109,983	46,028
Loss on lease termination	-	200,000
Interest and finance charges, net	321,887	109,625
Share-based compensation	67,802	67,382
	803,020	849,921
Earnings before income taxes and non-controlling interest	2,599,758	258,050
Income taxes (recovery)	42,657	(194,412)
Non-controlling interest	71,034	(9,401)
Net earnings for the year	2,486,067	461,863
Deficit, beginning of year	(51,535)	(513,398)
Retained earnings (deficit), end of year	\$ 2,434,532	\$ (51,535)
Basic and diluted earnings per share	\$ 0.07	\$ 0.01
Average number of common shares outstanding:		
Basic	33,806,682	32,244,017
Diluted	35,950,718	33,189,664

Pareto Corporation Consolidated Statements of Cash Flows

For the years ended December 31,	2004	2003
Cash provided by (used in)		
Operating activities		
Net earnings for the year	\$ 2,486,067	\$ 461,863
Items not involving cash:		
Amortization of capital assets	303,348	426,886
Amortization of intangible assets and deferred costs	109,983	46,028
Non-cash interest expense	158,269	40,001
Share-based compensation costs	67,802	67,382
Non-controlling interest	71,034	(9,401)
Loss on lease termination	-	200,000
Change in future income taxes	(25,920)	(263,160)
	3,170,583	969,599
Changes in non-cash operating accounts	(7,818)	948,492
	3,162,765	1,918,091
Investing activities		
Capital asset additions	(321,773)	(470,446)
Other asset additions	(398,287)	(241,694)
Acquisitions, net of cash acquired	(3,838,137)	-
	(4,558,197)	(712,140)
Financing activities		
Payment of acquisition notes payable	(856,250)	(426,250)
Issuance of long-term debt	6,000,000	-
Repayment of long-term debt	(4,700,000)	(650,000)
Additions to deferred finance costs	(64,996)	(13,000)
Issuance of shares	1,085,999	-
Share issue costs	(5,706)	(1,749)
Change in non-controlling interest	(47,000)	147,000
	1,412,047	(943,999)
Increase (decrease) in cash for the year	16,615	261,952
Cash and cash equivalents, beginning of year	947,441	685,489
Cash and cash equivalents, end of year	\$ 964,056	\$ 947,441