



PARETO ANNOUNCES 2010 SECOND QUARTER RESULTS

Reports 51% revenue growth and a 64% increase in EBITDA

TORONTO, ONTARIO, August 6, 2010 – Pareto Corporation (TSX: PTO), a leading Shopper Marketing company, today announced its financial results for three-months ended June 30, 2010.

Q2 2010 Financial and Operating Highlights:

- Revenue increased 51% to \$25.8 million from \$17.0 million in Q2 2009
- Revenue increased organically by 32% or \$7.2 million during Q2
- EBITDA increased 64% to \$3.5 million from \$2.1 million in Q2 2009
- Net earnings increased 65% to \$1.8 million from \$1.1 million in Q2 2009
- Earnings per increased 104% to \$0.051 per share from \$0.025 per share in Q2 2009
- Signed long-term contract with major new customer

“Our focus on Shopper Marketing and our client-centric account management approach continued to drive strong results during the second quarter as revenue increased by more than 50% and EBITDA grew by 64%,” said Kerry Shapansky, Pareto’s President and CEO. “While some of our growth was driven by Direct Sales Force (“DSF”), a company that we acquired during the first quarter of this year, I’m extremely pleased with our organic growth rate of 32% in the quarter. We achieved organic growth across all client segments and we signed an unprecedented number of new customers during the quarter. In addition to new client acquisition we were also able to successfully cross-sell a number of new services to our existing customers. Our momentum continued subsequent to quarter end as, just last week, we announced an agreement to provide services for a new retail customer that is expected to eventually generate up to \$75 million in revenues over the five year term of the contract.”

“The strong growth that we have achieved over the past year is evidence that Shopper Marketing is now recognized across industry segments as a measurable means of driving sales,” added Mr. Shapansky. “We expect our recent growth momentum to continue throughout 2010, as a number of new customer wins have not yet begun to contribute to our overall revenues.”

Financial Review

Pareto’s revenues for the quarter ended June 30, 2010 were \$25.8 million, an increase of 51% from \$17.0 million in the second quarter of 2009. The increased revenues were driven by organic growth, the return of incentive travel events cancelled in 2009 and the contribution of Direct Sales Force Inc. Adjusting for the impact of the DSF acquisition, revenues increased by \$7.2 million or 32% during the quarter.

Operating and administrative expenses were \$22.3 million in the second quarter of 2010, an increase of 49% from \$14.9 million during the same period last year. As a percentage of revenue, operating and administrative expenses decreased slightly to 86.4% from 87.5% in the second quarter of 2009.

In the first three months of 2010, Pareto generated net earnings of \$1.8 million, compared to net earnings of \$1.1 million in the same period in 2009. Earnings per share increased by 104%, to \$0.051 for the second quarter of 2010, from \$0.025 per share in the second quarter of 2009. On a diluted basis, earnings per share increased by 96%, compared to the period ended June 30, 2009.

At June 30, 2010, Pareto had total debt of \$17.2 million, compared to debt of \$15.8 million at March 31, 2010. The Company generated \$2.5 million of cash from operations in the second quarter of 2010, compared to \$1.7 million in the second quarter of 2009. The significant increase was largely attributable to increased net earnings during the period.

Pareto currently has 35.2 million common shares issued and outstanding.

*** Non-GAAP Measures**

Pareto presents EBITDA information as supplemental figures because management believes they provide useful information regarding operating performance. EBITDA (earnings before amortization, net interest and finance charges, share based compensation, non-recurring expenses, and income taxes) is not a recognized measure under Canadian generally accepted accounting principles (GAAP), does not have standardized meaning, and is unlikely to be comparable to similar measures used by other companies. Accordingly, investors are cautioned that EBITDA should not be construed as an alternative to revenue, net earnings or loss determined in accordance with GAAP as an indicator of the financial performance of the Company or as a measure of the Company's liquidity and cash flows.

About Pareto Corporation

Pareto Corporation is a Shopper Marketing company that offers marketing execution solutions to leading companies in a broad range of industry sectors. Pareto provides measurable, quantifiable services that complement our clients' marketing and sales departments. For more information, please visit our website at www.pareto.ca.

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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.

Pareto Corporation

Consolidated Balance Sheets

As at	June 30 2010 (unaudited)	December 31 2009 (audited)
Assets		
Current assets		
Cash	\$ 142,104	\$ 48,623
Accounts receivable	19,978,048	18,766,352
Inventories	2,350,118	1,684,849
Prepaid expenses	640,976	645,236
Current future income tax assets	2,829	41,982
	<u>23,114,075</u>	<u>21,187,042</u>
Loans receivable and other assets	1,720,737	1,570,737
Long-term future income tax assets	-	71,243
Capital assets	4,577,819	4,591,668
Intangible assets	1,533,580	1,280,916
Goodwill	25,888,979	21,058,577
	<u>\$ 56,835,190</u>	<u>\$ 49,760,183</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 6,231,356	\$ 415,602
Accounts payable and accrued liabilities	11,762,741	11,035,642
Dividends payable	703,910	1,792,129
Deferred revenue	3,235,725	3,044,381
Income taxes payable	1,298,914	2,413,569
Current portion of lease inducements	42,482	42,482
Current portion of long term loan	1,650,000	1,350,000
	<u>24,925,125</u>	<u>20,093,805</u>
Long-term future income tax liabilities	340,969	305,985
Deferred lease inducements	279,019	300,260
Long-term loan	9,319,347	10,191,099
Total liabilities	<u>34,864,463</u>	<u>30,891,149</u>
Shareholders' equity		
Share capital	15,259,316	12,635,777
Contributed surplus	1,351,601	2,091,495
Retained earnings and accumulated other comprehensive income	5,359,810	4,141,762
Total shareholders' equity	<u>21,970,727</u>	<u>18,869,034</u>
	<u>\$ 56,835,190</u>	<u>\$ 49,760,183</u>

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

	Three months ended June 30 (unaudited)		Six months ended June 30 (unaudited)	
	2010	2009	2010	2009
Revenue	\$ 25,755,148	\$ 17,048,569	\$ 44,930,298	\$ 33,231,565
Operating and administrative expenses	22,258,293	14,914,809	39,531,096	29,686,678
	3,496,855	2,133,760	5,399,202	3,544,887
Amortization of capital assets	223,855	156,955	478,716	324,005
Amortization of intangible assets	52,778	52,778	105,557	105,557
Interest expense	182,345	51,382	378,452	96,368
Interest income	(4,983)	(26,005)	(9,167)	(58,582)
Share-based compensation	182,518	231,274	348,525	420,933
	636,513	466,384	1,302,083	888,281
Earnings before income taxes	2,860,342	1,667,376	4,097,119	2,656,606
Income taxes	1,088,864	593,413	1,486,852	925,873
Net earnings and comprehensive income for the period	1,771,478	1,073,963	2,610,267	1,730,733
Retained earnings, beginning of period	4,292,242	9,329,881	4,141,762	9,317,078
Dividends declared	(703,910)	(645,159)	(1,392,219)	(1,289,126)
Retained earnings, end of period	\$ 5,359,810	\$ 9,758,685	\$ 5,359,810	\$ 9,758,685
Basic earnings per share	\$ 0.051	\$ 0.025	\$ 0.076	\$ 0.040
Diluted earnings per share	\$ 0.047	\$ 0.024	\$ 0.070	\$ 0.038
Weighted average number of common shares outstanding:				
Basic	34,691,521	42,897,760	34,409,531	42,970,815
Diluted	37,315,352	44,735,332	37,144,269	45,209,205

Pareto Corporation

Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
	June 30 (unaudited)		June 30 (unaudited)	
	2010	2009	2010	2009
Operating activities				
Net earnings for the period	\$ 1,771,478	\$ 1,073,963	\$ 2,610,267	\$ 1,730,733
Items not involving cash:				
Amortization of capital assets	223,855	156,955	478,716	324,005
Amortization of intangible assets	52,778	52,778	105,556	105,557
Amortization of lease inducement	(10,621)	(10,620)	(21,241)	(21,241)
Non-cash interest	11,066	(20,599)	28,248	(48,384)
Share-based compensation	182,518	231,274	348,525	420,933
Future income tax provision	111,260	178,619	143,194	132,640
	2,342,333	1,662,370	3,693,264	2,644,243
Changes in non cash operating accounts	(2,589,491)	(704,820)	(1,637,163)	(1,209,261)
	(247,158)	957,550	2,056,101	1,434,982
Investing activities				
Capital asset additions	(228,695)	(208,320)	(397,170)	(267,841)
Intangible asset additions	(228,924)	-	(358,217)	-
Loans receivable and other assets	-	(190,250)	(150,000)	(190,250)
Acquisitions, net of cash	-	-	(3,865,509)	-
	(457,619)	(398,570)	(4,770,896)	(458,091)
Financing activities				
Bank indebtedness	1,666,723	-	5,815,754	-
Repayment of long term debt	(300,000)	-	(600,000)	-
Dividends paid	(688,308)	(643,977)	(2,480,437)	(2,361,223)
Repayment of capital lease obligations	-	(51,407)	-	(126,777)
Repayment of loans receivable	-	25,000	-	25,000
Issuance of shares	21,775	-	77,032	-
Share issue costs	-	-	(4,074)	-
	700,190	(670,384)	2,808,275	(2,463,000)
Increase (Decrease) in cash for the period	(4,586)	(111,404)	93,481	(1,486,109)
(Bank Indebtedness)/Cash, beginning of period	146,690	(2,029,278)	48,623	(654,573)
(Bank Indebtedness)/Cash, end of period	\$ 142,104	\$ (2,140,682)	\$ 142,104	\$ (2,140,682)