

PRESS RELEASE



PARETO RECORDS IMPROVED PROFITABILITY

TORONTO, ONTARIO October 23, 2003 - **PARETO CORPORATION** ("Pareto") (TSX Venture: PTO) today announced its financial results for the third quarter ended September 30, 2003.

Financial highlights for the third quarter include:

- Revenues of \$4.9 million - up 43% or \$1.5 million from Q3 2002.
- EBITDA of \$304,000 compared to \$140,000.
- Net Income of \$204,000 compared to \$22,000 last year.

Financial highlights for the nine months ended September 30th include:

- Revenues of \$12.7 million - up 85% or \$5.8 million from 2002.
- EBITDA of \$363,000 – up \$893,000 from last year.
- Net Income of \$283,000 compared to a net loss of (\$442,000) in 2002.

Strong organic revenue growth and improved gross margin profitability led to the increased income. As was the case in both the first and second quarter of 2003, Pareto generated record revenue and EBITDA (defined as earnings before interest, taxes, depreciation, amortization and other charges) performance for a quarter. Q3 2003 was also by far the most profitable on a net income basis ever recorded by Pareto.

"We have now recorded six consecutive quarters of EBITDA growth and our revenues have grown to over \$16.5 million for the last twelve months ended September 30, 2003." stated Kerry Shapansky, President and Chief Executive Officer of Pareto. "I'm happy with the progress we have made towards meaningful profitability in the third quarter of 2003".

Shapansky added, "We are committed to building a strong profitable business which will be the dominate player in the Canadian marketplace. To this end, we have and will continue over the next several years to invest in the people and capabilities needed to reach our goal. This is a long term project."

For additional information on Pareto Corporation's third quarter results the reader is invited to access the Pareto Corporation conference call on Friday, October 31, 2003 at 10 a.m. EST. The toll-free number for North America is 1-888-575-8232 or 416-406-6419. The 72-hour playback number is 1-800-408-3053 or 416-695-5800 (Access code 1491496#). A recording of the call will also be available in the Investor Relations section of our website, www.pareto.ca, shortly thereafter.

About Pareto Corporation

Pareto Corporation is a marketing services company that excels at handling the executional details of marketing programs, providing services that complement creative agencies and client marketing departments. Through the delivery of print, event, digital, and marketing project management services, Pareto provides measurable, quantifiable services that deliver big value to our clients' vital business relationships. 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 the Company that involves 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 the Company's SEDAR filings.

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

(Not for dissemination in the United States of America)

Pareto Corporation

Consolidated Balance Sheets

September 30,
2003
(unaudited)

December 31,
2002
(audited)

ASSETS

Current

Cash and equivalents	\$	533,977	\$	685,489
Accounts receivable		4,880,558		2,458,341
Income and other taxes recoverable		19,595		748,336
Work in progress		985,706		149,321
Inventory and other current assets		188,917		62,553

6,608,753 4,104,040

Deferred finance costs

38,625 71,459

Capital assets

700,950 533,240

Goodwill

5,699,275 5,730,775

\$ 13,047,603 \$ 10,439,514

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$	2,773,092	\$	3,145,043
Deferred revenue		4,757,711		997,580
Current portion of long-term debt		300,000		300,000
Current portion of acquisition notes payable		426,250		426,250

8,257,053 4,868,873

Future income tax liability

180,650 272,620

Acquisition notes payable

130,000 526,250

Long-term debt

475,000 1,050,000

9,042,703 6,717,743

Shareholders' equity

Share capital		4,067,939		4,044,539
Special warrants		116,600		140,000
Deficit		(179,639)		(462,768)

4,004,900 3,721,771

\$ 13,047,603 \$ 10,439,514

Pareto Corporation

Consolidated Statement of Operations and Deficit

For Periods ended September 30
(Unaudited)

	Three Months		Nine Months	
	2003	2002	2003	2002
Revenues	\$ 4,889,182	\$ 3,408,648	\$ 12,653,697	\$ 6,849,867
Direct Costs	3,401,462	2,484,734	8,767,392	5,067,123
Gross Profit	1,487,720	923,914	3,886,306	1,782,744
Expenses				
Facilities	116,860	144,497	294,236	337,979
Selling and administration	1,066,699	639,453	2,928,723	1,674,272
	1,183,559	783,950	3,222,959	2,012,251
	304,161	139,964	663,347	(229,507)
Amortization of capital assets	73,718	52,285	181,909	114,385
Amortization of intangible assets	10,500	-	31,500	-
Loss on lease termination	-	-	100,000	-
Interest and finance charges	19,050	65,993	90,031	89,451
	103,268	118,278	403,440	203,836
Income (loss) before income taxes	200,893	21,686	259,907	(433,343)
Income taxes				
Current (recovery)	-	8,460	68,748	-
Future (recovery)	(3,990)	(8,460)	(91,970)	(10,500)
	(3,990)	-	(23,222)	(10,500)
Net income (loss) for the period	204,883	21,686	283,129	(422,843)
Deficit, beginning of period	(384,522)	(3,086,958)	(462,768)	(2,642,429)
Deficit reallocated to share capital		2,642,429		2,642,429
Deficit, end of period	\$ (179,639)	\$ (422,843)	\$ (179,639)	\$ (422,843)
Basic and fully diluted earnings (loss) per common share	\$ 0.006	\$ 0.001	\$ 0.009	\$ (0.016)
Basic weighted average number of shares outstanding	32,172,748	29,374,081	32,112,686	26,707,414
Diluted weighted average number of shares outstanding	32,822,581	29,412,176	32,971,019	26,867,414

Pareto Corporation

Consolidated Statements of Cash Flow

For the periods ending September 30
(Unaudited)

	Three Months		Nine Months	
	2003	2002	2003	2002
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	\$ 204,883	\$ 21,686	\$ 283,129	\$ (422,843)
Items not involving cash				
Amortization of capital assets	73,718	52,285	181,909	114,385
Amortization of intangible assets	10,500	23,333	31,500	23,333
Non-cash interest expense	-	14,500	-	29,000
	<u>289,101</u>	<u>111,804</u>	<u>496,538</u>	<u>(256,125)</u>
Changes in non-cash operating accounts	<u>32,986</u>	<u>(607,866)</u>	<u>672,818</u>	<u>(617,361)</u>
	<u>322,087</u>	<u>(496,062)</u>	<u>1,169,356</u>	<u>(873,486)</u>
Investment activities				
Purchase of capital assets	(304,176)	(732)	(349,618)	(32,708)
Sale of short-term securities	-	956,763	-	575,000
Business acquisition	-	(638,011)	-	(2,497,444)
	<u>(304,176)</u>	<u>318,020</u>	<u>(349,618)</u>	<u>(1,955,152)</u>
Financing Activities				
Share issue cost	-	(23,777)	-	(22,827)
Issuance of shares	-	1,200,000	-	1,200,000
Repayment of long-term debt	(75,000)	711,149	(575,000)	1,320,000
Payment of acquisition notes payable	(30,000)	(1,412,500)	(396,250)	362,500
Bank indebtedness	-	(444,705)	-	(458,405)
	<u>(105,000)</u>	<u>30,167</u>	<u>(971,250)</u>	<u>2,401,268</u>
Increase (decrease) in cash for the period	(87,089)	(147,875)	(151,512)	(427,370)
Cash and equivalents, beginning of period	621,066	883,945	685,489	1,163,440
Cash and equivalents, end of period	\$ 533,977	\$ 736,070	\$ 533,977	\$ 736,070