



PARETO ANNOUNCES THIRD QUARTER FINANCIAL RESULTS

Revenue grows by 40%, EBITDA by 47% over previous year

TORONTO, ONTARIO, November 9, 2005 – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the three months ended September 30, 2005.

Q3 2005 Highlights

- Revenue of \$10.6 million, up 40% from Q3 2004
- EBITDA of \$1.0 million, a 47% year-over-year increase
- Net earnings of \$528,000, up 21% over Q3 2004
- Diluted earnings per share of \$0.01, unchanged from the prior year
- Elevate Incentives revenue reaches \$1.3 million in the quarter

Year-to-Date Highlights

- Revenue of \$35.1 million in the first nine months of 2005, up 61% from last year
- Organic revenue growth of 32%
- EBITDA of \$3.2 million, an 83% increase
- Net earnings of \$1.7 million, up 33%
- Diluted earnings per share of \$0.04, unchanged from 2004

“After another quarter of delivering on all our major financial commitments, we remain on track to achieve our long-term growth objectives,” said Kerry Shapansky, Pareto’s President and Chief Executive Officer. “During the third quarter we strengthened our retail marketing division both by adding Executive Vice President Michael Beckerman to lead this division and by refocusing our service offering to better target industry trends. We have also begun to benefit from a number of initiatives designed to drive further improvements in our EBITDA as a percentage of sales.”

Financial Review

Pareto’s revenues for the three months ended September 30, 2005 totaled \$10.6 million, a 40% increase from \$7.6 million recorded a year earlier. Revenues for the first nine months of 2005 were \$35.1 million, up 61% from \$21.8 million in 2005. On a last-12-month basis the Company has generated \$52.0 million of revenues.

Organic revenue growth, which excludes revenues generated by Barry Rayner Associates, acquired in August 2004, was 34% in the quarter and 32% year to date. All of Pareto’s business units have experienced revenue growth on both a Q3 and year-to-date basis. Organic growth in the third quarter was driven by the customer loyalty, business-to-business channel sales and employee incentive programs. Revenues from Pareto’s Elevate Incentives subsidiary were up nearly threefold from Q2 2005.

Operating and administrative expenses were \$9.6 million in the quarter, up 40% from \$6.9 million in Q3 2004. The \$2.7 million increase is consistent with the rate of revenue growth, and includes \$0.8 million of costs related to the Barry Rayner Associates acquisition.

Earnings before interest, taxes, depreciation, amortization and share-based compensation (EBITDA) was \$1.0 million or 9.5% of revenues in Q3 2005, representing a 47% increase from \$684,000 or 9.0% of revenues in Q3 2004. On a last-12-month basis Pareto has generated \$4.9 million of EBITDA, representing 9.4% of revenues since October 1, 2004.

Net earnings in the third quarter were \$528,000 or \$0.01 per share (fully diluted), an increase of 21% from \$426,000 or \$0.01 per share in Q3 2004. For the first nine months of 2005, net earnings were \$1.7 million or \$0.04 per share, up 33% from \$1.3 million or \$0.04 a year earlier. The net earnings improvements were offset by increases in the number of diluted shares outstanding of 7% and 9%, respectively, for the quarter and the year to date. Earnings growth lagged EBITDA growth in the quarter due to the effects of higher amortization costs and income taxes.

New Business Highlights

Pareto continued to expand its relationships with its existing client base during the third quarter. Significant developments included:

- the renewal of Pareto's retail marketing agreement with Shoppers Drug Mart for the next three years
- the conception and execution of Ford's "Get to the Points" promotion – a cross promotion with Shoppers Drug Mart
- the extension of Elevate Incentives' largest program through the end of 2007, representing new commitments of over \$4 million of revenue in 2006/2007
- the sale of \$4 million of corporate events, to be completed in Q4 2005 and throughout 2006

Mr. Shapansky commented, "I believe our clients' choice to continue to rely on us to implement their marketing programs is testimony to the value of our offerings and quality of our execution."

Pareto Dialogue transaction

Pareto has reached an agreement to acquire the 33% stake in fulfillment and distribution business Pareto Dialogue Inc. currently held by Michigan-based Budco, thereby increasing Pareto's ownership to 100% effective September 30th. The purchase price is equal to the current book value of Budco's share of Pareto Dialogue. Pareto will continue to license the Budco technology suite, and the two companies will maintain a partnership allowing each to access the other's infrastructure on any cross-border projects.

"As part of the realignment of our retail operations, we made a strategic decision to fully integrate our fulfillment and distribution capabilities with our print business, consistent with the way we are selling these services," said Kerry Shapansky. "In addition, the elimination of a separate corporate entity will help us operate more efficiently. The Budco partnership is what enabled us to launch this business so quickly, and we look forward to continuing to work with them on future projects."

Outlook

"We continue to expect that the second and fourth quarters will prove to be our strongest of 2005, and that revenues and profits in the second half of the year will surpass those of the first half," said Kerry Shapansky. "Longer term, we see opportunities for significant organic growth in all of our business units, and we will look to augment this growth through selective acquisitions."

For a complete discussion of Pareto's third quarter results, please see the Company's interim financial statements, notes thereto, and management discussion and analysis.

Conference Call

Pareto will host an investor conference call to discuss these results at 10:00 a.m. EST, November 9, 2005.

DIAL-IN NUMBER: 416-644-3430 or 1-866-249-2165

TAPED REPLAY: 416-640-1917 or 1-877-289-8525

Available until November 16, 2005

Reference Number: 21161393

WEBCAST: www.pareto.ca ("Investor Relations" section)

To be archived for one year

About Pareto Corporation

Pareto Corporation is a marketing services company that offers retail, incentive, event and managed solutions to leading 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 Balance Sheets

	September 30 2005 (unaudited)	December 31 2004 (audited)
Assets		
Current assets		
Cash	\$ 908,496	\$ 964,056
Accounts receivable	10,484,690	8,265,330
Income taxes recoverable	-	403,753
Work in progress	788,986	1,161,067
Inventory and other current assets	512,908	540,127
Current future income tax assets	-	359,532
	12,695,080	11,693,865
Deferred costs and other assets	797,586	869,839
Capital assets	1,011,313	1,158,899
Goodwill and intangible assets	11,268,466	11,244,166
	\$ 25,772,445	\$ 24,966,769
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,841,641	\$ 8,004,616
Current portion of deferred revenue	3,652,950	5,168,782
Income taxes payable	120,713	-
Current future income tax liabilities	82,784	82,784
Current portion of acquisition notes payable	10,000	435,000
Current portion of long term debt	500,000	500,000
	12,208,088	14,191,182
Long-term deferred revenue	470,722	-
Long-term future income tax liabilities	386,488	448,576
Long-term debt	1,124,997	1,500,000
	14,190,295	16,139,758
Non-controlling interest	-	161,633
Shareholders' equity		
Share capital	7,048,735	5,867,592
Contributed surplus	230,009	185,814
Special warrants	23,000	46,400
Common share purchase warrants	126,454	131,040
Retained earnings	4,153,952	2,434,532
	11,582,150	8,665,378
	\$ 25,772,445	\$ 24,966,769

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings (Deficit)

For the periods ended September 30 (unaudited)

	Three Months		Nine Months	
	2005	2004	2005	2004
Revenue	\$ 10,645,812	\$ 7,588,106	\$ 35,066,574	\$21,789,072
Operating and administration expenses	9,639,618	6,903,218	31,860,577	20,041,722
	1,006,194	684,888	3,205,997	1,747,350
Amortization of capital assets	82,907	80,643	248,151	206,127
Amortization of intangible and other assets	57,298	28,836	171,894	74,006
Interest and finance charges, net	69,969	66,443	205,051	86,709
Share-based compensation	13,759	14,567	44,195	48,603
	223,933	190,489	669,291	415,445
Earnings before income taxes and non-controlling interest	782,261	494,399	2,536,706	1,331,905
Income taxes (recovery)	273,680	(4,060)	887,919	(16,537)
Non-controlling interest	(19,549)	61,797	(70,633)	56,128
Net earnings for the period	528,130	436,662	1,719,420	1,292,314
Retained earnings (deficit), beginning of period	3,625,822	804,117	2,434,532	(51,535)
Retained earnings, end of period	4,153,952	1,240,779	\$ 4,153,952	\$ 1,240,779
Basic earnings per share	\$ 0.01	\$ 0.01	\$ 0.05	\$ 0.04
Diluted earnings per share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.04
Average number of common shares outstanding:				
Basic	36,601,115	33,806,729	36,326,643	33,464,210
Diluted	38,863,354	36,305,578	38,498,243	35,475,918

Pareto Corporation Consolidated Statements of Cash Flows

For the periods ended September 30 (unaudited)

	Three Months		Nine Months	
	2005	2004	2005	2004
Operating activities				
Net earnings for the period	\$ 528,130	\$ 436,662	\$ 1,719,420	\$ 1,292,314
Items not involving cash:				
Amortization of capital assets	82,907	80,643	248,151	206,127
Amortization of intangible assets and deferred costs	57,298	28,836	171,894	74,006
Non-cash interest and finance charges	9,463	11,806	28,391	22,918
Share-based compensation costs	13,759	14,567	44,195	48,603
Non-controlling interest	(19,549)	61,797	(70,633)	56,128
Change in future income taxes	280,084	(4,060)	297,444	(16,537)
	<u>952,092</u>	<u>630,251</u>	<u>2,438,862</u>	<u>1,683,559</u>
Changes in non-cash operating accounts	(1,558,463)	(11,016)	(2,511,779)	(165,746)
	<u>(606,371)</u>	<u>619,235</u>	<u>(72,917)</u>	<u>1,517,813</u>
Investing activities				
Capital asset additions	(15,815)	(142,065)	(100,565)	(223,309)
Other asset additions	(2,444)	(55,514)	(44,232)	(210,234)
Acquisitions, net of cash acquired	-	(3,643,653)	(100,000)	(3,643,653)
	<u>(18,259)</u>	<u>(3,841,232)</u>	<u>(244,797)</u>	<u>(4,077,196)</u>
Financing activities				
Issuance of acquisition notes payable	-	-	100,000	-
Repayment of acquisition notes payable	(30,000)	(30,000)	(525,000)	(826,250)
Repayment of long-term debt	(125,001)	-	(375,003)	(700,000)
Issuance of long-term debt	-	3,868,960	-	3,868,960
Issuance of common share purchase warrants	-	131,040	-	131,040
Issuance of shares	72,500	-	1,158,246	85,999
Share issue costs	-	-	(5,089)	-
Change in non-controlling interest	(91,000)	-	(91,000)	-
	<u>(173,501)</u>	<u>3,970,000</u>	<u>262,154</u>	<u>2,559,749</u>
Increase (decrease) in cash for the period	(798,131)	748,003	(55,560)	366
Cash and cash equivalents, beginning of period	1,706,627	199,804	964,056	947,441
Cash and cash equivalents, end of period	\$ 908,496	\$ 947,807	\$ 908,496	\$ 947,807