



PARETO

PARETO ANNOUNCES THIRD QUARTER FINANCIAL RESULTS

Revenue of \$10.3 million; EBITDA of \$0.7 million; EPS of \$0.01

TORONTO, ONTARIO, November 14, 2006 – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the three months ended September 30, 2006.

Q3 2006 Highlights

- Revenue was \$10.3 million, compared to \$10.6 million in the third quarter of 2005
- EBITDA (earnings before amortization, net interest and finance charges, share-based compensation, income taxes, gain on acquisition and non-controlling interest) for the third quarter was \$0.7 million, compared to \$1.0 million in 2005
- Net earnings was \$464,000, compared to \$528,000 in Q3 of 2005
- Diluted earnings per share were unchanged at \$0.01
- In August, Pareto acquired SourceLink Canada, a Markham based direct marketing company, expanding Pareto's direct mail capabilities and adding new client relationships such as RBC Financial Group, BMO Financial Group, AIG Insurance and Sun Life Financial. The acquisition is expected add in excess of \$10 million of revenue and \$1 million of EBITDA in 2007. In addition, as part of the acquisition, Pareto acquired a \$3.8 million tax asset which will save cash taxes thereby significantly enhancing cash flow in future years.

Year-to-Date Highlights

- Revenue of \$32.9 million, compared to \$35.1 million in the first three quarters of 2005
- EBITDA of \$2.7 million, representing 8.2% of revenue, compared to \$3.2 million or 9.1% of revenue in the comparable period a year earlier
- Net earnings of \$1.5 million, compared to \$1.7 million in 2005
- Diluted earnings per share were unchanged at \$0.04

Subsequent Events

- In October, Pareto acquired Secom Plus, a Montreal-based retail sales and merchandising company, which is expected to add \$10 million to 2007 revenues and \$1.5 million to 2007 EBITDA. The acquisition broadens Pareto's retail service offering while also adding new client relationships including L'Oréal, Metro and Molson, and further strengthening the client relationship with Shoppers Drug Mart.
- In November, Pareto is fully integrating the acquisition of SourceLink Canada into its operations as well as reorganizing its Retail and Channel operations into one unit. The resulting facilities and personnel changes will result in estimated 2007 administrative savings in excess of \$2.5 million over 2006.

"I am disappointed with the lack of overall growth but I am pleased with the corporate initiatives we have undertaken. The recent acquisitions of SourceLink Canada and Secom Plus, combined with the operational integration and our continuing financial strength, have made us a better company now and going forward," said Kerry Shapansky, Pareto's President and Chief Executive Officer. "However these positive impacts on growth have been mitigated in 2006 by the negative impacts of reduced spending by Ford as a result of their restructuring and the previously disclosed biennial effect of events completed in 2005 which do not reoccur until

2007. While we have enjoyed sales success in Event, Elevate and Retail in 2006, the results have not offset these factors as much as we had hoped.”

Mr. Shapansky continued: “We expect year-over-year revenue growth to remain relatively flat for the remainder of 2006, with growth resuming next year, led by the acquired businesses. We believe the integration activities and operational changes we are currently implementing will lead to reduced EBITDA this year, but position us for considerable improvement in EBITDA in 2007.”

Financial Review

Pareto's revenues for the three months ended September 30, 2006 were \$10.3 million, a decrease of \$0.3 million or 3% from \$10.6 million in the second quarter of 2005. Third quarter Retail revenues grew by \$661,000 year-over-year to \$6.0 million, with the growth driven by the SourceLink acquisition. Channel revenues declined by \$1.0 million to \$4.3 million, accounting for 42% of third quarter revenues. A factor impacting both the Retail and Channel businesses was a significant slowdown in marketing spending at Ford Canada, one of Pareto's largest clients, due to financial pressures and uncertainty within that organization. Within the Channel business, Event revenues grew in the quarter, however this was offset by reduced customer loyalty and non-Elevate incentive program revenues.

Operating and administrative expenses were \$9.6 million in the third quarter, down marginally from the previous year. Year to date, operating and administrative expenses were \$30.2 million, compared to \$31.9 million in the first nine months of 2005.

EBITDA was \$0.7 million in Q3 2006, representing 6.9% of revenue, compared to \$1.0 million or 9.5% of revenues a year earlier. This decline of \$300,000 was driven by increased selling, general and administrative costs and a changing product mix in the quarter.

Pareto presents EBITDA information as a supplemental figure because management believes it provides useful information regarding operating performance. EBITDA 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 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.

Net earnings were \$464,000 in the third quarter, a decrease of \$64,000 from the third quarter of 2005. On a fully diluted basis, earnings per share were unchanged at \$0.01.

Operating activities generated \$2.2 million of cash in the third quarter, compared to \$0.6 million of cash utilized a year earlier, due primarily to a reduction in accounts receivable offset by reductions in accounts payable and income taxes payable during the quarter. Pareto used \$1.2 million of cash for investing activities in the quarter, primarily for the SourceLink Canada acquisition. Financing activities used \$0.3 million of cash in the third quarter as the Company repaid long-term debt and repurchased shares in accordance with its normal course issuer bid.

Pareto's financial position and capacity remain strong. The Company's cash balance was \$6.3 million at September 30, 2006, up from \$5.1 million at December 31, 2005. At quarter-end, the Company had \$7.3 million of working capital, and a \$5.5 million demand credit facility which remains unused. Total debt remains relatively low at \$2.6 million, representing a debt-to-EBITDA ratio of 0.52:1.

Operational Changes

Pareto also announced that it will be implementing a number of changes to its operations. Organizationally, Pareto's business will now be run as a single operating unit, replacing the dual structure of Retail Marketing and Channel Marketing.

“Our philosophy has always been to run Pareto as a single operating company,” said Mr. Shapansky. “In the process of integrating our recent acquisitions we have analyzed our entire business and determined that we could operate more effectively and more profitably under a unified structure. I am confident this will not only improve profitability but that we can leverage this platform into improved sales results. Accordingly, a management restructuring has occurred and certain senior management positions have been eliminated.”

Facilities obtained through recent acquisitions have enabled the Company to consolidate operations at a smaller number of locations. Staff at the Oakville office will relocate to either the North York head office or the Burlington office of Secom Plus. The retail fulfillment operations of Pareto Dialogue, currently housed at a warehouse facility in Mississauga, will relocate to SourceLink's larger warehouse in Markham, Ontario. Pareto Trajectory employees have already relocated to the head office from their previous office in mid-town Toronto.

These changes are expected to result in cost savings in excess of \$2.5 million in fiscal 2007 versus 2006, due to reduced real estate costs and improved efficiency of operations. One-time expenses of approximately \$1 million related to facility and employee costs will be recognized during Pareto's 2006 fiscal fourth quarter.

For a complete discussion of Pareto's third quarter and year-to-date results, please see the Company's audited financial statements, notes thereto, and management's discussion and analysis, all filed on SEDAR.

Conference Call

Pareto will host an investor conference call to discuss these results at 9:00 a.m. EST, November 15, 2006. The call may be accessed as follows:

DIAL-IN NUMBER:	416-644-3420 or 1-866-250-4877
TAPED REPLAY:	416-640-1917 or 1-877-289-8525 Reference Number: 21208960 Available until November 22, 2006
LIVE 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 marketing and channel marketing 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.

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 2006 (unaudited)	December 31 2005 (audited)
Assets		
Current assets		
Cash	\$ 6,304,309	\$ 5,078,927
Accounts receivable	12,160,014	10,760,008
Work in progress	1,607,531	1,954,353
Inventory and other current assets	1,350,795	513,955
Current future income tax assets	1,417,962	97,854
	22,840,611	18,405,097
Loans receivable	1,300,000	433,333
Long-term future income tax assets	2,521,003	-
Deferred costs and other assets	566,456	609,791
Capital assets	1,381,622	990,622
Goodwill and intangible assets	12,141,120	11,479,110
	\$ 40,750,812	\$ 31,917,953
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,802,149	\$ 10,841,641
Current portion of deferred revenue	3,048,890	4,151,498
Income taxes payable	754,492	927,065
Current future income tax liabilities	93,350	90,551
Current portion of acquisition notes payable	100,000	335,000
Current portion of capital lease obligations	266,320	-
Current portion of long-term debt	500,000	500,000
	15,565,201	16,845,755
Long-term deferred revenue	-	474,144
Long-term future income tax liabilities	355,421	398,141
Long-term debt	457,993	832,996
Long-term capital lease obligations	1,060,287	-
Long-term acquisition notes payable	200,000	-
Total liabilities	17,638,902	18,551,036
Shareholders' equity		
Share capital	15,989,140	7,576,707
Contributed surplus	358,531	254,192
Common share purchase warrants	77,700	126,454
Retained earnings	6,686,539	5,409,564
Total shareholders' equity	23,111,910	13,366,917
	\$ 40,750,812	\$ 31,917,953

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

for the period ended September 30 (unaudited)

	Three Months		Nine Months	
	2006	2005	2006	2005
Revenue	\$ 10,316,477	\$ 10,645,812	\$ 32,885,572	\$ 35,066,574
Operating and administration expenses	9,608,427	9,639,618	30,176,682	31,860,577
	708,050	1,006,194	2,708,890	3,205,997
Amortization of capital assets	80,994	82,907	228,531	248,151
Amortization of intangible and other assets	62,671	57,298	188,280	171,894
Interest and finance charges, net	12,463	69,969	14,226	205,051
Share-based compensation	69,956	13,759	207,832	44,195
Gain on acquisition	(128,584)	-	(128,584)	-
Non-controlling interest	-	(19,549)	-	(70,633)
	97,500	204,384	510,285	598,658
Earnings before income taxes	610,550	801,810	2,198,605	2,607,339
Income taxes	146,203	273,680	675,059	887,919
Net earnings for the period	464,347	528,130	1,523,546	1,719,420
Retained earnings, beginning of period	6,419,434	3,625,822	5,409,564	2,434,532
Net earnings for the period	464,347	528,130	1,523,546	1,719,420
Loss on repurchase of common shares	(197,242)	-	(246,571)	-
Retained earnings, end of period	\$ 6,686,539	\$ 4,153,952	\$ 6,686,539	\$ 4,153,952
Basic earnings per share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.05
Diluted earnings per share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.04
Average number of common shares outstanding				
Basic	44,266,346	36,601,115	41,815,879	36,326,643
Diluted	45,872,139	38,863,354	43,512,361	38,498,243

Pareto Corporation Consolidated Statements of Cash Flows

for the period ended September 30 (unaudited)

	Three Months		Nine Months	
	2006	2005	2006	2005
Operating activities				
Net earnings for the period	\$ 464,347	\$ 528,130	\$ 1,523,546	\$ 1,719,420
Items not involving cash:				
Amortization of capital assets	80,994	82,907	228,531	248,151
Amortization of intangible assets and deferred costs	62,671	57,298	188,280	171,894
Non-cash interest and finance charges	3,281	9,463	9,843	28,391
Share-based compensation	69,956	13,759	207,832	44,195
Non-controlling interest	-	(19,549)	-	(70,633)
Gain on acquisition	(128,584)	-	(128,584)	-
Future income tax provision	133,362	280,084	97,932	297,444
	686,027	952,092	2,127,380	2,438,862
Changes in non cash operating accounts	1,535,108	(1,558,463)	(4,849,857)	(2,511,779)
	2,221,135	(606,371)	(2,722,477)	(72,917)
Investing activities				
Capital asset additions	(121,897)	(15,815)	(583,909)	(100,565)
Change in other assets	2,704	(2,444)	(78,822)	(44,232)
Acquisitions, net of cash acquired	(1,117,222)	-	(1,792,917)	(100,000)
	(1,236,415)	(18,259)	(2,455,648)	(244,797)
Financing activities				
Issue of acquisition notes payable	-	-	-	100,000
Repayment of acquisition notes payable	-	(30,000)	(335,000)	(525,000)
Repayment of long-term debt	(125,001)	(125,001)	(375,003)	(375,003)
Repayment of capital lease obligations	(33,438)	-	(33,438)	-
Issuance of shares	85,186	72,500	8,180,322	1,158,246
Share issue costs	-	-	(671,972)	(5,089)
Change in non-controlling interest	-	(91,000)	-	(91,000)
Repurchase of common shares	(289,412)	-	(361,402)	-
	(362,665)	(173,501)	6,403,507	262,154
Increase (decrease) in cash for the period	622,055	(798,131)	1,225,382	(55,560)
Cash and cash equivalents, beginning of period	5,682,254	1,706,627	5,078,927	964,956
Cash and cash equivalents, end of period	\$ 6,304,309	\$ 908,496	\$ 6,304,309	\$ 908,496