



PARETO

PARETO ANNOUNCES YEAR-END FINANCIAL RESULTS

TORONTO, ONTARIO, March 30, 2007 – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the fourth quarter and the year ended December 31, 2006.

Fiscal 2006 Highlights

- Revenue was \$51.1 million in fiscal 2006, compared to \$53.0 million the previous year.
- EBITDA was \$2.7 million, compared to \$5.5 million a year earlier.
- Net earnings were \$1.5 million, or \$0.04 per share, compared to \$3.0 million or \$0.08 per share in 2005.
- Pareto's 2006 pro forma revenues would have been \$65.0 million had the full year revenues of the companies acquired in 2006 been included. Pareto completed two major acquisitions during 2006, adding the direct marketing capabilities of SourceLink Canada and the retail merchandising capabilities of Secom Plus.
- Pareto added over 40 customers to its roster, including Aliant, Bayer, BMW, Chrysler, Essilor, L'Oreal, Loyalty Group, McDonald's, Metro, Molson, National Bank Financial, PC Financial, Sun Life, TD Bank Financial, and XM Radio.
- Pareto completed an integration and reorganization exercise in the fourth quarter designed to integrate the acquisitions, reduce costs, strengthen the leadership team and better position the Company to deliver future growth.

"The fourth quarter was one of integrating and reorganizing our business to take advantage of acquisitions completed in 2006 and reinvigorate our organic growth efforts," said Kerry Shapansky, Pareto's President and Chief Executive Officer. "These organizational changes negatively impacted fourth quarter revenue and profitability. They resulted in one-time costs of \$1.2 million, but we expect the changes to lead to a \$2.5 million reduction in costs in 2007 versus 2006."

Financial Review

Pareto's revenues for the fourth quarter of fiscal 2006 were \$18.2 million, an increase of \$0.3 million over the same period in 2005, and consistent with expectations. The \$1.9 million revenue decrease for the fiscal year was a result of factors described in previous quarters, including a reduction in Ford business, the non-recurrence of several biennial corporate events, and the Company's shift away from lower margin, non-Elevate incentive revenues. These revenue decreases were partially offset by growth in the Elevate Incentives and print management and fulfillment businesses, and by approximately \$7.6 million of revenues attributable to the acquisitions completed during the year.

Operating and administrative expenses were \$48.3 million in 2006, an increase of 2% from \$47.4 million in 2005. The 2006 total includes the expenses of the acquired businesses for the final portion of the year, as well as \$1.2 million of one-time costs incurred in the fourth quarter to reduce ongoing infrastructure costs.

EBITDA was \$2.7 million in 2006, representing 5.4% of revenue, compared to \$5.5 million or 10.4% of revenue the previous year. EBITDA margin was negatively impacted by increased infrastructure and changes in business mix, and by the one-time charges incurred in the fourth quarter. The Company expects to achieve fiscal 2007 EBITDA margins consistent with 2005 levels on the basis of more efficient infrastructure costs, and a more favourable business mix driven by the full year inclusion of SourceLink and Secom Plus.

Pareto presents pro forma revenue and EBITDA information as supplemental figures because management believes they provide useful information regarding operating performance. Pro forma revenue is calculated based on the inclusion of the actual revenues of the acquired businesses from the beginning of the calendar year. Pro forma revenue and EBITDA (earnings before amortization, net interest and finance charges, share based compensation, income taxes, gain on acquisition and non-controlling interest) are not recognized measures under Canadian generally accepted accounting principles (GAAP), do not have standardized meaning, and are unlikely to be comparable to similar measures used by other companies. Accordingly, investors are cautioned that pro forma revenue and 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.

Net earnings were \$1.5 million in 2006, compared to \$3.0 million the previous year. On a fully diluted basis, earnings per share declined from \$0.08 to \$0.04. The weighted average number of diluted shares outstanding increased from 38.9 million in 2005 to 44.1 million in 2006.

Pareto maintained a strong financial position with a cash balance of \$5.0 million at December 31, 2006, compared to \$5.1 million at December 31, 2005. The Company generated net proceeds of \$8.1 million through share issuances during the year. Significant uses of cash included \$4.9 million for acquisitions, \$1.1 million to fund operating activities, \$0.9 million to add capital assets, \$0.8 million to repurchase shares of the Company pursuant to its normal course issuer bid, and \$0.7 million to repay debt. Total debt increased during the year as a result of capital lease obligations and acquisition notes payable arising from the acquisitions completed in 2006, but remains relatively low at \$3.4 million, representing 1.2 times EBITDA.

Pareto also invested approximately \$500,000 to implement a suite of software in 2006 that automates retail production and fulfillment processes. The technology is expected to improve the Company's customer service capabilities, capacity utilization and margins.

"The most notable accomplishments for Pareto in 2006 were on the acquisition front," said Mr. Shapansky. "We took on a very ambitious corporate development agenda and executed it very successfully. I am disappointed that we were not able to extend our track record of organic growth at the same time, but I believe the changes we made have transformed us into a much better and stronger company. We significantly advanced Pareto's capabilities, client roster, operational efficiency and executive talent. And we have taken the steps to ensure we will be able to effectively leverage these strengths in 2007."

As a result of the acquisitions and several years of compound growth, Pareto's management recognized that the Company had some duplicate infrastructure and a cumbersome organizational structure that was serving as an impediment to growth. During the fourth quarter Pareto undertook a range of initiatives that saw the elimination of three of seven facilities, the elimination of several executive roles, and the reorganization of the Retail and Channel operations into a single business unit.

Addition of Michael Lang to Senior Sales Team

Pareto recently hired Michael Lang as Senior Vice President, Business Development. Mr. Lang's three decades of marketing experience include more than 20 years as president of his own sports marketing firm, and most recently, Chief Operating Officer at Young and Rubicam Canada. He will be part of a team of five seasoned sales executives who have been designated to lead the Company's organic growth efforts. The other individuals are:

- Sue Britton, Elevate incentive programs
- Louis Demers, field merchandising and sales representation
- Kim Naylor, corporate events and strategic accounts
- Kim Roseborough-Darling, direct marketing and in-store marketing

Outlook

Pareto enters fiscal 2007 having assembled a continuum of marketing execution services that is unique in Canada. The SourceLink acquisition was a vertical integration that provides the Company with key direct marketing capabilities that it previously had to outsource. Secom Plus, in addition to a Quebec presence and a nationwide field force, adds an adjacent service capability that had been a missing ingredient in Pareto's retail mix. The Company also obtained a front line enablement boutique with its earlier Trajectory purchase. The end result is a marketing execution supply chain uniquely capable of designing and producing marketing materials that

will drive traffic to the point of sale, making sure those materials are effectively displayed, and providing the tools to train, motivate and reward the key members of the sales channel.

Pareto has initiated a comprehensive operational improvement program designed to enhance the efficiency of the Company's service delivery, and improve its processes and work flow. The Company plans to make continued investments in its business in 2007, which will include additional technology and the relocation of its direct marketing and retail production facility to a new building with expanded capacity and higher efficiency in Richmond Hill.

"Our strong financial position allows us to continue to evaluate acquisition opportunities, with our top priority in 2007 being organic growth," said Mr. Shapansky. "We anticipate revenue growth being driven by our Elevate, event and Secom Plus businesses. We are very pleased with the performance of our 2006 acquisitions, and we are already seeing operational synergies as a result of the recent integration and reorganization exercise. With the return of several major event projects, we expect to continue our pattern of posting the highest revenue totals in the second and fourth quarters of 2007."

For a complete discussion of Pareto's 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. EDT, March 30, 2007. The call may be accessed as follows:

DIAL-IN NUMBER:	416-644-3418 or 1-800-731-5774
TAPED REPLAY:	416-640-1917 or 1-877-289-8525 Reference Number: 21223661 Available until April 6, 2007
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

For the years ended December 31

2006

2005

Assets

Current assets

Cash	\$ 5,020,127	\$ 5,078,927
Accounts receivable	12,399,746	10,760,008
Inventory and work in progress	2,457,361	2,236,432
Other current assets	540,698	231,876
Current future income tax assets	2,903,293	97,854
	23,321,225	18,405,097

Loans receivable

616,667 433,333

Long-term future income tax assets

850,590 -

Deferred costs

513,708 609,791

Capital assets

1,722,298 990,622

Goodwill and intangible assets

17,782,873 11,479,110

\$ 44,807,361 \$ 31,917,953

Liabilities and Shareholders' Equity

Current liabilities

Accounts payable and accrued liabilities	\$ 14,059,056	\$ 10,841,641
Current portion of deferred revenue	2,607,264	4,151,498
Income taxes payable	275,091	927,065
Current future income tax liabilities	131,225	90,551
Current portion of acquisition notes payable	1,350,000	335,000
Current portion of long-term debt	500,000	500,000
Current portion of capital lease obligations	264,295	-
	19,186,931	16,845,755

Long-term deferred revenue

- 474,144

Long-term future income tax liabilities

625,772 398,141

Long-term debt

165,992 832,996

Long-term capital lease obligations

992,060 -

Long-term acquisition notes payable

100,000 -

Total liabilities

21,070,755 18,551,036

Shareholders' equity

Share capital	17,176,172	7,576,707
Contributed surplus	268,895	254,192
Common share purchase warrants	-	126,454
Retained earnings	6,291,539	5,409,564
	23,736,606	13,366,917

Total shareholders' equity

\$ 44,807,361 \$ 31,917,953

Pareto Corporation
Consolidated Statements of Operations and Retained Earnings

For the years ended December 31

2006

2005

Revenue	\$ 51,080,008	\$ 52,950,769
Operating and administrative expenses	<u>48,330,272</u>	<u>47,444,182</u>
	<u>2,749,736</u>	<u>5,506,587</u>
Amortization of capital assets	361,174	337,214
Amortization of intangible assets and deferred costs	268,350	225,643
Interest and finance charges, net	82,617	277,116
Gain on acquisition	(192,042)	-
Share-based compensation	<u>134,210</u>	<u>101,867</u>
	<u>654,309</u>	<u>941,840</u>
Earnings before income taxes and non-controlling interest	2,095,427	4,564,747
Income taxes	545,632	1,660,348
Non-controlling interest	<u>-</u>	<u>(70,633)</u>
Net earnings for the year	1,549,795	2,975,032
Retained earnings, beginning of year	5,409,564	2,434,532
Excess price paid over carrying value on repurchase of common shares	<u>(667,820)</u>	<u>-</u>
Retained earnings, end of year	\$ 6,291,539	\$ 5,409,564
Basic and diluted earnings per share	\$ 0.04	\$ 0.08
Average number of common shares outstanding:		
Basic	42,554,794	36,570,640
Diluted	44,130,278	38,912,305

Pareto Corporation
Consolidated Statements of Cash Flows

For the years ended December 31

2006

2005

Operating activities

Net earnings for the period	\$ 1,549,795	\$ 2,975,032
Items not involving cash:		
Amortization of capital assets	361,174	337,214
Amortization of intangible assets and deferred costs	268,350	225,643
Non-cash interest and finance charges	13,124	45,353
Share-based compensation	134,210	101,867
Non-controlling interest	-	(70,633)
Gain on acquisition	(192,042)	-
Future income tax provision	435,970	219,010
	2,570,581	3,833,486
Changes in non cash operating accounts	(3,670,423)	473,260
	(1,099,842)	4,306,746

Investing activities

Capital asset additions	(927,724)	(168,937)
Other asset additions	(66,792)	(110,614)
Acquisitions, net of cash acquired	(4,861,098)	(202,227)
	(5,855,614)	(481,178)

Financing activities

Proceeds from loans receivable	683,333	200,000
Repayment of acquisition notes payable	(335,000)	(435,000)
Repayment of long-term debt	(667,004)	(667,004)
Repayment of capital lease obligations	(103,690)	-
Issuance of shares	8,724,405	1,196,396
Share issue costs	(652,097)	(5,089)
Repurchase of common shares	(753,291)	-
	6,896,656	289,303

Increase (decrease) in cash for the period	(58,800)	4,114,871
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Cash and cash equivalents, beginning of period	5,078,927	964,056
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Cash and cash equivalents, end of period	\$ 5,020,127	\$ 5,078,927
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