



PARETO

PARETO ANNOUNCES FIRST QUARTER FINANCIAL RESULTS

Revenue up 54% to \$14.7 million

TORONTO, ONTARIO, May 14, 2007 – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the three months ended March 31, 2007.

Q1 2007 Highlights

- Revenue was \$14.7 million in the first quarter of 2007, compared to \$9.5 million a year earlier.
- EBITDA (earnings before amortization, net interest and finance charges, share based compensation and income taxes) was \$817,000, compared to \$765,000 in the prior year period.
- Net earnings were \$348,000, or \$0.01 per share, compared to \$346,000 or \$0.01 per share in Q1 2006.

“I am pleased with the progress made by Pareto early on 2007,” said Kerry Shapansky, Pareto’s President and Chief Executive Officer. “The strategic decisions we made in 2006 are already beginning to yield positive results. In the first quarter, our sales teams secured over \$5 million of new business to be delivered in the next twelve months including significant wins with BMO Nesbitt Burns, Scotiabank, Lexmark, BMW, Canon and Apotex. We are pursuing customer opportunities that would not have been available to us prior to the acquisitions we completed last year and anticipate further sales success.”

Mr. Shapansky continued: “EBITDA margins were in line with our historical range for the first quarter as we incurred some expenses in preparation for a very busy second quarter in our event and Secom Plus businesses. We expect to grow revenues from the pro forma base of \$65 million with which we entered the year, led by the second and fourth fiscal quarters. We continue to project full year EBITDA margins in the 10% range, and expect the second quarter to be the largest in Company history both in terms of revenue and profitability.”

Financial Review

Pareto’s revenues for the first quarter of fiscal 2007 were \$14.7 million, an increase of \$5.2 million or 54% over the same period in 2005. The increase was largely attributable to the addition of revenue from SourceLink and Secom Plus, both acquired in 2006. Pareto’s organic revenue growth rate was 3% on a pro forma basis, compared to the revenues earned by the same businesses in the comparable period of 2006. Pro forma organic growth exclusive of the event business, which tends to be more episodic than other parts of the business, was 13%.

Operating and administrative expenses were \$13.9 million in 2007, an increase of 59% from \$8.8 million in Q1 of 2006. The increase was primarily due to inclusion this year of the operating expenses of the acquired companies. Additionally, operating efficiencies were negatively impacted by staff cost incurred in advance of the Company’s second quarter which is expected to be the Company’s largest revenue quarter in 2007.

EBITDA was \$817,000 in the first quarter, representing 5.5% of revenue, compared to \$765,000 or 8.0% of revenue the previous year. Pareto’s EBITDA margin in the seasonally slow first quarter has ranged from 5% to 8% over the past five years, averaging 6.2%. The Company has stated an expectation that fiscal 2007 EBITDA margins will return to the levels seen in 2005, when full-year EBITDA represented 10.4% of revenues and first quarter EBITDA equaled 5.0% of revenues.

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, and income taxes) 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 \$348,000 in Q1 2007, virtually unchanged from \$346,000 a year earlier. Earnings per share were unchanged at \$0.01, while the average number of diluted shares outstanding increased to 45.47 million in Q1 2007 from 40.28 million in Q1 2006. On March 31, 2007, the Company had 44,417,175 shares outstanding.

Pareto's cash balance was \$122,000 at March 31, 2007, compared to \$5.0 million at December 31, 2006. Operating activities used \$2.3 million of cash in Q1 2007, as project work was done in advance of the second quarter, compared to \$3.6 million of cash used a year earlier. Financing activities also used \$2.3 million of cash, including \$1.4 million to repay acquisition notes payable and other long-term debt, and \$0.9 million to repurchase the Company's common shares. At quarter-end, the Company had \$3.4 million of working capital, and a \$5.5 million demand credit facility which remained unused. Total debt represented 0.69 times EBITDA, compared to 1.23 times EBITDA at the end of fiscal 2006.

Conference Call and Annual Shareholders Meeting

Pareto will host an investor conference call to discuss these results at 9:00 a.m. EDT, May 14, 2007. The call may be accessed by dialing 416-644-3418 or 1-800-732-0232. A taped replay will be available for one week by dialing 416-640-1917 or 1-877-289-8525, reference number 21231539. The call will be available live and for one year at www.pareto.ca ("Investor Relations" section).

Pareto's Annual and Special Meeting of Shareholders will be held May 14 at 4:00 p.m. EDT at the TSX Broadcast & Conference Centre in Toronto, and will also be available at www.pareto.ca.

About Pareto Corporation

Pareto Corporation is a marketing services 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.

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 Statements of Operations and Retained Earnings

For the quarter ended March 31 (unaudited)

2007

2006

Revenue	\$ 14,716,308	\$ 9,532,273
Operating and administrative expenses	13,899,615	8,767,726
	816,693	764,547
Amortization of capital assets	102,299	71,430
Amortization of intangible assets and deferred costs	90,217	62,938
Interest and finance charges, net	74,595	33,395
Share-based compensation	64,525	66,469
	331,636	234,232
Earnings before income taxes and non-controlling interest	485,057	530,315
Income taxes	137,513	184,163
Net earnings for the period	347,544	346,152
Retained earnings, beginning of period	6,291,539	5,409,564
Excess price paid over carrying value on repurchase of common shares	(727,477)	-
Retained earnings, end of period	\$ 5,911,606	\$ 5,755,716
Basic and diluted earnings per share	\$ 0.01	\$ 0.01
Average number of common shares outstanding:		
Basic	44,646,385	37,843,930
Diluted	45,466,938	40,257,050

Pareto Corporation Consolidated Statements of Cash Flows

For the quarter ended March 31 (unaudited) **2007** **2006**

Operating activities

Net earnings for the period	\$	347,544		\$	346,152
Items not involving cash:					
Amortization of capital assets		102,299			71,430
Amortization of intangible assets and deferred costs		90,217			62,938
Non-cash interest and finance charges		3,281			3,281
Share-based compensation		64,525			66,649
Future income tax provision		(43,655)			(13,163)
		564,211			537,107
Changes in non cash operating accounts		(2,873,498)			(4,173,068)
		(2,309,287)			(3,635,961)

Investing activities

Capital asset additions		(219,263)			(102,162)
Other asset additions		(76,445)			(50,400)
		(295,708)			(152,562)

Financing activities

Repayment of acquisition notes payable		(1,283,333)			-
Repayment of long-term debt		(125,001)			(125,001)
Repayment of capital lease obligations		(65,790)			-
Issuance of shares		37,999			8,009,366
Share issue costs		-			(670,972)
Repurchase of common shares		(857,046)			-
		(2,293,171)			7,213,393

Increase (decrease) in cash for the period		(4,898,166)			3,424,870
Cash and cash equivalents, beginning of period		5,020,127			5,078,927
Cash and cash equivalents, end of period	\$	121,961	\$		8,503,797