



PARETO

PARETO ANNOUNCES SECOND QUARTER FINANCIAL RESULTS

Revenue of \$24.3 million; 87% growth from prior year

TORONTO, ONTARIO, August 1, 2007 – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the three months ended June 30, 2007.

Q2 2007 Highlights

- Revenue was \$24.3 million in the second quarter of 2007, up 87% from \$13.0 million a year earlier.
- On a pro forma basis, year-over-year organic revenue growth was 34%.
- EBITDA (earnings before amortization, net interest and finance charges, share-based compensation, and income taxes) was \$2.4 million, up 90% from \$1.2 million in Q2 2006.
- Net earnings were \$1.3 million, a 78% increase from \$713,000 in the second quarter of 2006.
- Diluted earnings per share were \$0.03, compared to \$0.02 a year earlier.

Year-to-date Highlights

- Revenue was \$39.1 million in the first half of fiscal 2007, up 73% from \$22.6 million in 2006.
- Pro forma organic revenue growth was 20% in the first half of the year.
- EBITDA was \$3.2 million, up 58% from \$2.0 million last year.
- Net earnings were \$1.6 million or \$0.04 per share in the first half of 2007, compared to \$1.1 million or \$0.03 per share in the prior year period.

“I am very pleased to report the largest quarter in our Company’s history in terms of both revenue and net earnings,” said Kerry Shapansky, Pareto’s President and Chief Executive Officer. “Halfway through 2007 our revenues are up 73% over last year and we have already generated more EBITDA than in all of 2006. The success of last year’s acquisitions is a big part of that story, but we also saw organic growth across our business units from both existing and new customers.”

Mr. Shapansky continued: “At the halfway point I believe we are very well positioned to achieve our business objectives for 2007. We have been actively pursuing specific industry verticals, and have had recent sales success in the grocery and pharmaceutical/healthcare sectors. We continue to believe there is an opportunity to create a much larger business in this space. Our second quarter shows how we are going to build it, by balancing successful acquisitions and strong organic growth.”

“While I am very pleased with our top line growth, we continue to see opportunity to improve our margins as we leverage operating efficiencies,” Mr. Shapansky added. “The recent addition of Chief Operating Officer Brian Warner was indicative of this commitment as we continue to pursue our long term goal of 15% EBITDA margins.”

Financial Review

Pareto’s revenues for the second quarter of fiscal 2007 were \$24.3 million, an increase of \$11.3 million over the same period in 2006. The increase was largely attributable to the addition of revenue from SourceLink and Secom Plus, both acquired during the second half of fiscal 2006. The event and Secom Plus businesses made the strongest contributions to organic growth in the second quarter. The Company’s organic revenue growth rate

was 34% on a pro forma basis, compared to the revenues earned by the same businesses in the comparable period of 2006.

Operating and administrative expenses were \$22.0 million in the second quarter, an increase of 86% from \$11.8 million a year earlier. The increase was proportionate to the growth in revenues. EBITDA was \$2.4 million in the second quarter, representing 9.7% of revenue, compared to \$1.2 million or 9.5% of revenue in Q2 2006.

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 \$1.3 million in Q2 2007, representing a 78% increase from \$713,000 of earnings a year earlier. Earnings per share grew to \$0.03 from \$0.02, while the average number of diluted shares outstanding increased by 1% to 45.80 million. On June 30, 2007, the Company had 44,726,875 shares outstanding.

Operating activities generated \$959,000 of cash during the second quarter of 2007, compared to \$1.3 million of cash utilized a year earlier. Investing activities used \$509,000 of cash as the Company added capital assets associated with the move of its retail fulfillment business to a new facility in Richmond Hill, Ontario. Financing activities used \$443,000 of cash.

Pareto had \$3.8 million of working capital at quarter-end. The Company recently increased its demand credit facility with RBC from \$5.5 million to \$9 million; that facility was unused at June 30, 2007. Total debt at quarter-end represented 0.41 times EBITDA. Subsequent to quarter-end Pareto retired in full the final \$416,000 outstanding on its long-term debt facility.

Conference Call

Pareto will host an investor conference call to discuss these results at 9:00 a.m. EDT, August 1, 2007. The call may be accessed by dialing 416-644-3427 or 1-800-595-8550. A taped replay will be available for one week by dialing 416-640-1917 or 1-877-289-8525, reference number 21241733. The call will be available live and for one year at www.pareto.ca ("Investor Relations" section).

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:

Kerry Shapansky, President and Chief Executive Officer, Pareto Corporation, (416) 790-2350

Clint Becker, Chief Financial Officer, Pareto Corporation, (416) 790-2360

Jeff Codisodi, Investor Relations, Equicom Group, (416) 815-0700 ext.261

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.

Pareto Corporation Consolidated Balance Sheets

June 30, 2007
(unaudited)

December 31, 2006

Assets	June 30, 2007 (unaudited)	December 31, 2006
Assets		
Current assets		
Cash	\$ 129,667	\$ 5,020,127
Accounts receivable	13,824,355	12,399,746
Inventory and work in progress	2,461,297	2,457,361
Other current assets	662,240	540,698
Current future income tax assets	2,063,293	2,903,293
	19,140,852	23,321,225
Loans receivable	852,917	616,667
Long-term future income tax assets	1,122,826	850,590
Deferred costs	491,572	513,708
Capital assets	2,226,998	1,722,298
Goodwill and intangible assets	17,700,652	17,782,873
	\$ 41,535,817	\$ 44,807,361
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,597,166	\$ 14,059,056
Current portion of deferred revenue	1,737,708	2,607,264
Income taxes payable	102,068	275,091
Current future income tax liabilities	120,740	131,225
Current portion of acquisition notes payable	66,667	1,350,000
Current portion of long-term debt	415,990	500,000
Current portion of capital lease obligations	262,537	264,295
	15,302,876	19,186,931
Long-term future income tax liabilities	566,599	625,772
Long-term debt	-	165,992
Long-term capital lease obligations	863,657	992,060
Long-term acquisition notes payable	-	100,000
Total liabilities	16,733,132	21,070,755
Shareholders' equity		
Share capital	17,345,326	17,176,172
Contributed surplus	419,732	268,895
Retained earnings	7,037,627	6,291,539
Total shareholders' equity	24,802,685	23,736,606
	\$ 41,535,817	\$ 44,807,361

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

For the quarter ended June 30 (unaudited)

	Three Months		Six Months	
	2007	2006	2007	2006
Revenue	\$24,347,041	\$13,036,822	\$39,063,349	\$22,569,095
Operating and administrative expenses	21,994,494	11,880,529	35,894,109	20,568,255
	2,352,547	1,236,293	3,169,240	2,000,840
Amortization of capital assets	114,771	76,107	217,070	147,537
Amortization of intangible assets and deferred costs	90,216	62,671	180,433	125,609
Interest and finance charges, net	110,951	(31,632)	185,546	1,763
Share-based compensation	119,832	71,407	184,357	137,876
	435,770	178,553	767,406	412,785
Earnings before income taxes	1,916,777	1,057,740	2,401,834	1,588,055
Income taxes	646,523	344,693	784,036	528,856
Net earnings for the period	1,270,254	713,047	1,617,798	1,059,199
Retained earnings, beginning of period	5,911,606	5,755,716	6,291,539	5,409,564
Excess price paid over carrying value on repurchase of common shares	(144,233)	(49,329)	(871,710)	(49,329)
Retained earnings, end of period	\$ 7,037,627	\$ 6,419,434	\$ 7,037,627	\$ 6,419,434
Basic and diluted earnings per share	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.03
Average number of common shares outstanding:				
Basic	44,515,164	43,716,300	44,649,180	40,537,939
Diluted	45,804,244	45,409,834	45,645,608	42,310,443

Pareto Corporation

Consolidated Statements of Cash Flows

For the quarter ended June 30 (unaudited)

	Three Months		Six Months	
	2007	2006	2007	2006
Operating activities				
Net earnings for the period	\$ 1,270,254	\$ 713,047	\$1,617,798	\$1,059,199
Items not involving cash:				
Amortization of capital assets	114,771	76,107	217,070	147,537
Amortization of intangible assets and deferred costs	90,216	59,390	180,433	125,609
Non-cash interest and finance charges	3,281	3,281	6,562	6,562
Share-based compensation	119,832	71,407	184,357	137,876
Future income tax provision	541,761	(22,267)	498,106	(35,430)
	2,140,115	900,965	2,704,326	1,441,353
Changes in non cash operating accounts	(1,181,058)	(2,211,897)	(4,054,556)	(6,384,965)
	959,057	(1,310,932)	(1,350,230)	(4,943,612)
Investing activities				
Capital asset additions	(502,507)	(359,850)	(721,770)	(462,012)
Other asset additions	17,141	(27,845)	(59,304)	(81,526)
Acquisitions, net of cash acquired	(23,334)	(675,695)	(23,334)	(675,695)
	(508,700)	(1,063,390)	(804,408)	(1,219,233)
Financing activities				
Repayment of acquisition notes payable	(100,000)	(335,000)	(1,383,333)	(335,000)
Repayment of long-term debt	(125,001)	(125,001)	(250,002)	(250,002)
Repayment of capital lease obligations	(64,371)	-	(130,161)	-
Issuance of shares	72,501	85,770	110,500	8,095,136
Share issue costs	-	(1,000)	-	(671,972)
Repurchase of common shares	(225,780)	(71,990)	(1,082,826)	(71,990)
	(442,651)	(447,221)	(2,735,822)	6,766,172
Increase (decrease) in cash for the period	7,706	(2,821,543)	(4,890,460)	603,327
Cash and cash equivalents, beginning of period	121,961	8,503,797	5,020,127	5,078,927
Cash and cash equivalents, end of period	129,667	5,682,254	129,667	5,682,254