



## **PARETO ANNOUNCES THIRD QUARTER FINANCIAL RESULTS**

***Revenue of \$14.3 million; 39% growth from prior year, 62% increase YTD***

**TORONTO, ONTARIO, November 14, 2007** – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the three months ended September 30, 2007.

“I am pleased with the results we have achieved this year,” said Kerry Shapansky, Pareto’s President and Chief Executive Officer. “We said at the start of the year that our primary focus would be returning to a pattern of organic growth while improving profitability. We implemented a number of changes to reinvigorate our sales organization and after nine months our organic revenue growth rate has been 15%. In fact our revenue and EBITDA after three quarters are higher than our totals for all of 2006. In the third quarter our sales team secured over \$12 million of new business for future periods. Notably we signed contracts worth \$3 million with a major national retailer, and expanded our relationship with a major pharmaceutical manufacturer in the form of a new long-term outsourcing agreement. Other new clients added include Foresters, Heinz, Maestro Meats, and Corporate Express who have engaged our event division to deliver a major 2008 event.”

Mr. Shapansky continued: “Our revenues tend to be lower during the summer months as marketers avoid major campaigns, and this contributed to a low EBITDA margin in Q3. In contrast, the fourth quarter is seasonally strong in the marketing services industry. We anticipate Q4 EBITDA to be robust and full year EBITDA margin to be approaching 10%. We expect 2007 revenues to exceed 2006 reported revenues by approximately 40%, representing double-digit organic growth. This year has been a significant year of repositioning and investment in the business, I believe we are very well positioned to capitalize on these investments in 2008.”

### **Q3 2007 Financial Highlights**

- Revenue was \$14.3 million in the third quarter of 2007, up 39% from \$10.3 million a year earlier.
- EBITDA (earnings before amortization, net interest and finance charges, share-based compensation, and income taxes) was \$0.6 million, down from \$0.7 million in Q3 2006.
- Net earnings were \$76,000 compared to \$464,000 in the third quarter of 2006.
- Diluted earnings per share were \$0.00 versus \$0.01 a year earlier.

### **Year-to-date Financial Highlights**

- Revenue was \$53.4 million in the first nine months of fiscal 2007, up 62% from \$32.9 million in 2006.
- Pro forma year-over-year organic revenue growth was 15%.
- EBITDA was \$3.8 million, up 39% from \$2.7 million last year.
- Net earnings were \$1.7 million or \$0.04 per share in the first nine months of 2007, up 11% compared to \$1.5 million or \$0.04 per share in the prior year period.

### **Aeroplan Extension**

Pareto extended its contract with Aeroplan to allow its Elevate Incentives division to remain the sole distributor of Aeroplan Miles for use in sales channel and employee-based incentive programs through to the end of 2008. “I am excited about continuing our mutually beneficial partnership with Aeroplan,” said Mr. Shapansky.

### **Financial Review**

In the third quarter of 2007, Pareto’s revenues increased \$4.0 million over the prior year primarily due to the additional revenue from SourceLink, acquired in August 2006, and Secom Plus, acquired in October 2006.

Operating and administrative expenses were \$13.7 million in the third quarter, an increase of 43% from \$9.6 million a year earlier. The increase resulted from the inclusion of the expenses in the businesses acquired in the second half of 2006 plus a change in service mix of organic revenues. EBITDA totaled \$0.6 million in the third quarter, representing 4.2% of revenue, compared to \$0.7 million or 6.9% of revenue in Q3 2006.

Pareto presents EBITDA information as supplemental figures because management believes they provide useful information regarding operating performance. EBITDA (earnings before amortization, net interest and finance charges, share based compensation, and income taxes) 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 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 \$76,000 in Q3 2007, compared to \$464,000 of earnings a year earlier. The Q3 2006 earnings included a gain on acquisition of \$129,000 which related to the August 2006 purchase of SourceLink. Earnings per share decreased to \$0.00 from \$0.01, while the average number of shares outstanding increased by 1% to 44.7 million.

At September 30, 2007, the Company had drawn \$4.2 million on its operating line of credit. Pareto draws on its operating line of credit from time to time to meet normal business obligations. In the third quarter of 2007, the Company's utilization of its operating line of credit was impacted by \$2.4 million of significant expenditures including \$1.0 million of capital asset additions, a \$0.7 million account payable related to the Secom acquisition, a \$0.4 million early repayment of long-term debt, and \$0.3 million expended under the Company's normal course issuer bid. Subsequent to September 30, 2007, cash flow from operations has improved the Company's cash position by over \$2 million. Pareto's sources of short-term liquidity include cash provided by operating activities and a \$9.0 million operating line of credit (increased from \$5.5 million in July 2007). As at November 13, 2007, the Company's capacity on its line of credit was approximately \$7 million.

### **Conference Call**

Pareto will host an investor conference call to discuss these results at 9:00 a.m. EST, November 14, 2007. The call may be accessed by dialing 416-644-3429 or 1-800-590-1508. A taped replay will be available for one week by dialing 416-640-1917 or 1-877-289-8525, reference number 21252786. The call will be available live and for one year at [www.pareto.ca](http://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](http://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.***

## Pareto Corporation Consolidated Balance Sheets

September 30, 2007  
(unaudited)

December 31, 2006

Assets	September 30, 2007 (unaudited)	December 31, 2006
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ -	\$ 5,020,127
Accounts receivable	15,808,187	12,399,746
Inventory and work in progress	3,109,267	2,457,361
Other current assets	569,020	540,698
Current portion of loans receivable	301,667	-
Current future income tax assets	1,808,157	2,903,293
	21,596,298	23,321,225
<b>Loans receivable</b>	486,250	616,667
<b>Long-term future income tax assets</b>	952,962	850,590
<b>Deferred costs</b>	365,842	513,708
<b>Capital assets</b>	3,044,997	1,722,298
<b>Goodwill and intangible assets</b>	22,658,463	17,782,873
	\$ 49,104,812	\$ 44,807,361
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Bank Indebtedness	\$ 4,196,626	\$ -
Accounts payable and accrued liabilities	10,687,822	14,059,056
Current portion of deferred revenue	2,635,932	2,607,264
Income taxes payable	106,640	275,091
Current future income tax liabilities	114,497	131,225
Current portion of acquisition notes payable	5,066,667	1,350,000
Current portion of long-term debt	-	500,000
Current portion of capital lease obligations	262,537	264,295
	23,070,721	19,186,931
<b>Long-term future income tax liabilities</b>	545,856	625,772
<b>Long-term debt</b>	-	165,992
<b>Long-term capital lease obligations</b>	797,505	992,060
<b>Long-term acquisition notes payable</b>	-	100,000
	24,414,082	21,070,755
<b>Shareholders' equity</b>		
Share capital	17,247,676	17,176,172
Contributed surplus	537,257	268,895
Retained earnings	6,905,797	6,291,539
	24,690,730	23,736,606
	\$ 49,104,812	\$ 44,807,361

**Pareto Corporation**

**Consolidated Statements of Operations and Retained Earnings**

For the period ended September 30 (unaudited)

	Three Months		Nine Months	
	2007	2006	2007	2006
<b>Revenue</b>	<b>\$ 14,345,259</b>	\$ 10,316,477	<b>\$ 53,408,608</b>	\$32,885,572
<b>Operating and administrative expenses</b>	<b>13,744,123</b>	9,608,427	<b>49,638,232</b>	30,176,682
	<b>601,136</b>	708,050	<b>3,770,376</b>	2,708,890
Amortization of capital assets	135,555	80,994	352,625	228,531
Amortization of intangible assets and deferred costs	90,217	62,671	270,650	188,280
Interest and finance charges, net	135,096	12,463	320,642	14,226
Share-based compensation	125,764	69,956	310,121	207,832
Gain on acquisition	-	(128,584)	-	(128,584)
	<b>486,632</b>	97,500	<b>1,254,038</b>	510,285
Earnings before income taxes	<b>114,504</b>	610,550	<b>2,516,338</b>	2,198,605
Income taxes	<b>38,290</b>	146,203	<b>822,326</b>	675,059
<b>Net earnings for the period</b>	<b>76,214</b>	464,347	<b>1,694,012</b>	1,523,546
<b>Retained earnings, beginning of period</b>	<b>7,037,627</b>	6,419,434	<b>6,291,539</b>	5,409,564
<b>Excess price paid over carrying value on repurchase of common shares</b>	<b>(208,044)</b>	(197,242)	<b>(1,079,754)</b>	(246,571)
<b>Retained earnings, end of period</b>	<b>\$ 6,905,797</b>	\$ 6,686,539	<b>\$ 6,905,797</b>	\$ 6,686,539
<b>Basic and diluted earnings per share</b>	<b>\$ 0.00</b>	\$ 0.01	<b>\$ 0.04</b>	\$ 0.04
<b>Average number of common shares outstanding:</b>				
Basic	<b>44,737,190</b>	44,266,346	<b>44,649,180</b>	41,815,879
Diluted	<b>45,775,867</b>	45,872,139	<b>45,638,911</b>	43,512,361

## Pareto Corporation

### Consolidated Statements of Cash Flows

**For the period ended September 30 (unaudited)**

	Three Months		Nine Months	
	2007	2006	2007	2006
<b>Operating activities</b>				
Net earnings for the period	\$ 76,214	\$ 464,347	\$ 1,694,012	\$ 1,523,546
Items not involving cash:				
Amortization of capital assets	135,555	80,994	352,625	228,531
Amortization of intangible assets and deferred costs	90,217	62,671	270,650	188,280
Non-cash interest and finance charges	31,813	3,281	38,375	9,843
Share-based compensation	125,764	69,956	310,121	207,832
Gain on acquisition	-	(128,584)	-	(128,584)
Future income tax provision	398,014	133,362	896,120	97,932
	<b>857,577</b>	<b>686,027</b>	<b>3,561,903</b>	<b>2,127,380</b>
Changes in non cash operating accounts	<b>(3,545,130)</b>	<b>1,535,108</b>	<b>(7,599,686)</b>	<b>(4,849,857)</b>
	<b>(2,687,553)</b>	<b>2,221,135</b>	<b>(4,037,783)</b>	<b>(2,722,477)</b>
<b>Investing activities</b>				
Capital asset additions	(953,554)	(121,897)	(1,675,324)	(583,909)
Other asset additions	56,479	2,704	(2,825)	(78,822)
Acquisitions, net of cash acquired	(10,589)	(1,117,222)	(33,923)	(1,792,917)
	<b>(907,664)</b>	<b>(1,236,415)</b>	<b>(1,712,072)</b>	<b>(2,455,648)</b>
<b>Financing activities</b>				
Repayment of acquisition notes payable	-	-	(1,383,333)	(335,000)
Repayment of long-term debt	(415,990)	(125,001)	(665,992)	(375,003)
Repayment of capital lease obligations	(66,152)	(33,438)	(196,313)	(33,438)
Issuance of shares	29,000	85,186	139,500	8,180,322
Share issue costs	(20,535)	-	(20,535)	(671,972)
Repayment of loans receivable	65,000	-	65,000	-
Repurchase of common shares	(322,399)	(289,412)	(1,405,225)	(361,402)
	<b>(731,076)</b>	<b>(362,665)</b>	<b>(3,466,898)</b>	<b>6,403,507</b>
<b>Increase (decrease) in cash for the period</b>	<b>(4,326,293)</b>	<b>622,055</b>	<b>(9,216,753)</b>	<b>1,225,382</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>129,667</b>	<b>5,682,254</b>	<b>5,020,127</b>	<b>5,078,927</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ (4,196,626)</b>	<b>\$ 6,304,309</b>	<b>\$ (4,196,626)</b>	<b>\$ 6,304,309</b>