



PARETO ANNOUNCES SECOND QUARTER FINANCIAL RESULTS

Revenue of \$20.8 million; EBITDA of \$2.0 million

TORONTO, ONTARIO, August 6, 2008 – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the three months ended June 30, 2008.

The Company also announced a substantial issuer bid for the purchase and cancellation of up to 11,000,000 of its common shares. Details are available in a separate news release.

“Second quarter results were in line with our expectations,” said Kerry Shapansky, Pareto’s President and Chief Executive Officer. “Our ability to maintain EBITDA margins this year despite lower revenues is testimony to our improved efficiency. We anticipated that our quarterly revenue would be below the prior year due primarily to a non-recurring project. We believe there is a good opportunity for modest revenue growth in fiscal 2008, and we are very confident in our ability to grow EBITDA.”

Q2 2008 Highlights

- Revenue was \$20.8 million in the second quarter of 2008, compared to \$24.3 million a year earlier.
- EBITDA* was \$2.0 million compared to \$2.4 million in Q2 2007.
- Net earnings were \$914,954 in Q2 2008, compared to \$1,270,254 in Q2 2007.
- Diluted earnings per share were \$0.02, compared to \$0.03 a year earlier.
- Renewed exclusive agreement with largest retail client for a new four-year term.

Year-to-Date Highlights

- Revenue of \$37.3 million, compared to \$39.1 million in the first half of 2007
- EBITDA of \$3.2 million, representing 8.5% of revenue, compared to \$3.2 million or 8.1% of revenue in the comparable period a year earlier
- Net earnings of \$1.3 million, compared to \$1.6 million in the first half of 2007
- Diluted earnings per share of \$0.03, compared to \$0.04 in the comparable period of 2007

Financial Review

Pareto’s revenues for the three months ended June 30, 2008 were \$20.8 million compared to \$24.3 million over the comparable period in 2007. Revenues from the second quarter of 2007 included a one-time \$5 million field merchandising project. The Company has won new field merchandising business to replace this project and allow for growth in fiscal 2008, but it is spread throughout the year. Growth in program management services and retail in-store marketing services helped partially offset revenue declines in other areas of the business.

Operating and administrative expenses were \$18.9 million in the second quarter, a decrease of 14% from \$22.0 million a year earlier, consistent with the decrease in revenue. EBITDA margins were 9.6% of revenues in Q2 2008, compared to 9.7% in Q2 2007. EBITDA margins remained comparable despite the decrease in revenue, due to improved business mix, greater efficiencies realized from integration of acquisitions and operating efficiencies.

Net earnings were \$914,954 in the second quarter, or \$0.02 per share, compared to earnings of \$1,270,254 or \$0.03 per share a year earlier. The Company had 42,731,148 common shares outstanding at June 30, 2008.

At June 30, 2008, Pareto had net bank indebtedness of \$4.6 million, unchanged from three months earlier.

Substantial Issuer Bid

As referenced, the Company also announced a substantial issuer bid for the purchase and cancellation of up to 11,000,000 of its common shares for a price of \$1.00 per share today.

“The Board of Directors and management are very confident in prospects for the business,” said Mr. Shapansky. “After a broad strategic review, we have decided to focus principally on organic growth as the most effective way to leverage the comprehensive suite of marketing services we have assembled. It is our view that completing a substantial issuer bid will create long-term shareholder value while providing near-term liquidity to our investors.”

Conference Call

Pareto will host an investor conference call to discuss these results and its proposed substantial issuer bid at 9:00 a.m. EDT, August 7, 2008. The call may be accessed by dialing 416-644-3427 or 1-866-250-4892. A taped replay will be available for one week by dialing 416-640-1917 or 1-877-289-8525, reference number 21278050#. The call will be available live and for one year at www.pareto.ca (“Investor Relations” section).

*** Non-GAAP Measures**

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, income taxes, gain on acquisition and non-controlling interest) 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.

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.

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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

As at	June 30 2008 (unaudited)	December 31 2007 (audited)
Assets		
Current assets		
Accounts receivable	\$ 16,577,666	\$ 17,321,405
Inventory and work in progress	1,963,381	2,204,311
Prepaid expenses	579,500	659,683
Current future income tax assets	418,696	950,026
	19,539,243	21,135,425
Loans receivable	1,036,250	486,250
Long-term future income tax assets	566,021	732,603
Deferred costs	256,080	335,956
Capital assets	3,454,786	3,283,105
Intangible assets	1,449,052	1,554,607
Goodwill	19,058,577	19,058,577
	\$ 45,360,009	\$ 46,586,523
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 4,574,411	\$ 368,291
Accounts payable and accrued liabilities	11,140,971	13,836,117
Deferred revenue	1,741,779	1,897,999
Income taxes payable	99,309	120,022
Current future income tax liabilities	109,588	119,541
Current portion of acquisition notes payable	-	3,066,668
Current portion of capital lease obligations	297,522	281,666
	17,963,580	19,690,304
Long-term future income tax liabilities	433,294	484,667
Long-term capital lease obligations	556,445	709,279
Total liabilities	18,953,319	20,884,250
Shareholders' equity		
Share capital	16,390,038	16,872,129
Contributed surplus	1,104,311	706,513
Retained earnings	8,912,341	8,123,631
Total shareholders' equity	26,406,690	25,702,273
	\$ 45,360,009	\$ 46,586,523

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenue	\$ 20,853,852	\$ 24,347,041	\$ 37,307,022	\$ 39,063,349
Operating and administrative expenses	18,859,644	21,994,494	34,133,736	35,894,109
	1,994,208	2,352,547	3,173,286	3,169,240
Amortization of capital assets	155,988	114,771	312,590	217,070
Amortization of intangible assets	52,777	52,778	105,555	105,555
Amortization of deferred costs	35,086	37,438	74,875	74,878
Interest and finance charges, net	167,110	110,951	276,453	185,546
Share-based compensation	193,811	119,832	401,591	184,357
	604,772	435,770	1,171,064	767,406
Earnings before income taxes	1,389,436	1,916,777	2,002,222	2,401,834
Income taxes	474,482	646,523	683,415	784,036
Net earnings and comprehensive income for the period	914,954	1,270,254	1,318,807	1,617,798
Retained earnings, beginning of period	8,133,228	5,911,606	8,123,631	6,291,539
Excess price paid over carrying value on repurchase of common shares	(135,841)	(144,233)	(530,097)	(871,710)
Retained earnings, end of period	\$ 8,912,341	\$ 7,037,627	\$ 8,912,341	\$ 7,037,627
Basic and diluted earnings per share	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.04
Weighted average number of common shares outstanding:				
Basic	42,897,760	44,515,164	43,234,245	44,649,180
Diluted	44,735,332	45,804,244	44,965,913	45,645,608

Pareto Corporation

Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
	2008	June 30 2007	2008	June 30 2007
Operating activities				
Net earnings for the year	\$ 914,953	\$ 1,270,254	\$ 1,318,806	\$ 1,617,798
Items not involving cash:				
Amortization of capital assets	155,988	114,771	312,590	217,070
Amortization of intangible assets	52,777	52,778	105,555	105,555
Amortization of deferred costs	35,086	37,438	74,875	74,878
Non-cash interest and finance charges	2,651	3,281	5,001	6,562
Share-based compensation	193,811	119,832	401,591	184,357
Future income tax provision	417,394	541,761	636,586	498,106
	<u>1,772,660</u>	<u>2,140,115</u>	<u>2,855,004</u>	<u>2,704,326</u>
Changes in non cash operating accounts	<u>(956,077)</u>	<u>(1,181,058)</u>	<u>(1,807,226)</u>	<u>(4,054,556)</u>
	<u>816,583</u>	<u>959,057</u>	<u>1,047,778</u>	<u>(1,350,230)</u>
Investing activities				
Capital asset additions	(431,812)	(502,507)	(484,271)	(721,770)
Other asset additions	-	17,141	-	(59,304)
Loans receivable	-	(23,334)	(550,000)	(23,334)
	<u>(431,812)</u>	<u>(508,700)</u>	<u>(1,034,271)</u>	<u>(804,408)</u>
Financing activities				
Repayment of acquisition notes payable	(66,668)	(100,000)	(3,066,668)	(1,383,333)
Repayment of long-term debt	-	(125,001)	-	(250,002)
Repayment of capital lease obligations	(69,426)	(64,371)	(136,978)	(130,161)
Issuance of shares	12,500	72,501	12,500	110,500
Share issue costs	-	-	(2,051)	-
Repurchase of common shares	(265,451)	(225,780)	(1,026,430)	(1,082,826)
	<u>(389,045)</u>	<u>(442,651)</u>	<u>(4,219,627)</u>	<u>(2,735,822)</u>
Decrease in cash for the period	(4,274)	7,706	(4,206,120)	(4,890,460)
(Bank Indebtedness)/Cash, beginning of period	(4,570,137)	121,961	(368,291)	5,020,127
(Bank Indebtedness)/Cash, end of period	\$ (4,574,411)	\$ 129,667	\$ (4,574,411)	\$ 129,667