



## PARETO ANNOUNCES YEAR END FINANCIAL RESULTS

***Fiscal 2007 revenue grows 46% to \$74.3 million; EBITDA grows 149% to \$6.9 million***

**TORONTO, ONTARIO, March 27, 2008** – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the fourth quarter and the year ended December 30, 2007.

“I am very proud to report that our efforts to resume our pattern of organic growth in 2007 were successful,” said Kerry Shapansky, Pareto’s President and Chief Executive Officer. “This was our top priority for the year. The steps we took to reinvigorate our sales organization helped ensure our success in both winning new customers and cross-selling to our existing clients. Throughout the year we also implemented a range of productivity improvements designed to increase the efficiency of our operations, and as a result we saw EBITDA margins approaching the 10% target we had set for the year.”

### **Fiscal 2007 Highlights**

- Revenue was \$74.3 million in fiscal 2007, up 46% from \$51.1 million in 2006.
- Pro forma year-over-year organic revenue growth was 15%.
- EBITDA (earnings before amortization, net interest and finance charges, share-based compensation, and income taxes) was \$6.9 million, up significantly from \$2.7 million in 2006.
- Net earnings were \$3.1 million, or \$0.07 per share, compared to \$1.5 million or \$0.04 per share in the previous year.
- On fourth quarter revenues of \$20.9 million, Pareto generated EBITDA of \$3.1 million, establishing a new high for any quarter with 14.7% EBITDA margins.
- Opened a 65,000-square-foot retail production and distribution facility in Richmond Hill, Ontario.
- Added key individuals to senior management team, including Senior VP Business Development Michael Lang, Chief Operating Officer Brian Warner, and Chief Financial Officer Karen Trudell.

### **Financial Review**

Pareto’s revenues for the year ended December 31, 2007 were \$74.3 million, an increase of \$23.3 million or 46% over the previous year’s revenues. Approximately two thirds of the growth was attributable to additional revenue from SourceLink and Secom Plus, both acquired in the second half of 2006. The Company achieved an organic revenue growth rate of 15% in 2007, with revenues increasing in all of its pre-existing lines of business as well as its Secom Plus unit.

Operating and administrative expenses were \$67.5 million in 2007, an increase of 40% from \$48.3 million the previous year. The increase resulted from the inclusion of the expenses of the businesses acquired in the second half of 2006, as well as a general increase in the volume of business. EBITDA totaled \$6.9 million for the year, representing 9.2% of revenue, compared to \$2.7 million or 5.4% of revenue in 2006. (Please see disclosure about Non-GAAP Measures, below.)

Net earnings were \$3.1 million in 2007, or \$0.07 per share, compared to earnings of \$1.5 million or \$0.04 per share a year earlier. The Company had 43,994,648 common shares outstanding at December 31, 2007.

At December 31, 2007, the Company had net bank indebtedness of \$368,000, compared to \$4.2 million of bank indebtedness at September 30, 2007 and a cash balance of \$5.0 million on December 31, 2006. The Company generated \$0.6 million of cash from operations during the year, and used \$2.2 million of cash for investing activities, including the establishment of a new retail production and distribution facility. The Company used \$3.8 million of cash for financing activities, including the repayment of acquisition notes payable, the retirement of its long-term debt, and the repurchase of 1.86 million common shares under its normal course issuer bid.

Subsequent to year-end, Pareto used a combination of cash and debt to fund \$3.0 million of acquisition notes payable.

#### **Fourth Quarter Results**

For the three months ended December 31, 2007, Pareto's revenues were \$20.9 million, an increase of 15% from \$18.2 million in Q4 2006. All of the fourth quarter growth was organic, as Pareto's most recent acquisition was completed at the beginning of October, 2006.

EBITDA was \$3.1 million in the fourth quarter of 2007, compared to \$41,000 in Q4 2006, when EBITDA was negatively affected by a \$1.2 million restructuring charge. EBITDA represented 14.7% of revenues in Q4 2007. The fourth quarter EBITDA margin was the highest Pareto has ever recorded in a single quarter, due to a combination of business mix, operational leverage, and the Company's success throughout the year in improving its efficiency.

Net earnings were \$1.4 million in the fourth quarter of 2007, or \$0.03 per share (fully diluted), compared to earnings of \$26,000 or \$0.00 per share in Q4 2006.

#### **Outlook**

"We will continue to focus on organic growth in 2008," said Kerry Shapansky. "Pareto is competing for more comprehensive mandates than we could have a couple of years ago. With the strengthened sales team in place for the full year we should see more of those leads converted to sales. We anticipate a continued upward trend in EBITDA margins as we grow our business and maintain effective controls over our costs. We plan to continue to evaluate potential acquisitions, but we believe we can deliver meaningful, profitable growth by concentrating on the significant market opportunities currently available to us."

#### **Conference Call**

Pareto will host an investor conference call to discuss these results at 9:00 a.m. EDT, March 27, 2008. The call may be accessed by dialing 416-644-3417 or 1-800-732-9303. A taped replay will be available for one week by dialing 416-640-1917 or 1-877-289-8525, reference number 21265705#. The call will be available live and for one year at [www.pareto.ca](http://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, 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.

#### **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

For the years ended	December 31 2007	December 31 2006
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ -	\$ 5,020,127
Accounts receivable	17,321,405	12,399,746
Inventory and work in progress	2,204,311	2,457,361
Prepaid expenses	659,683	540,698
Current future income tax assets	950,026	2,903,293
	21,135,425	23,321,225
<b>Loans receivable</b>	486,250	616,667
<b>Long-term future income tax assets</b>	732,603	850,590
<b>Deferred costs</b>	335,956	513,708
<b>Capital assets</b>	3,283,105	1,722,298
<b>Intangible assets</b>	1,554,607	1,765,720
<b>Goodwill</b>	19,058,577	16,017,153
	\$ 46,586,523	\$ 44,807,361
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 368,291	\$ -
Accounts payable and accrued liabilities	13,836,117	14,059,056
Deferred revenue	1,897,999	2,607,264
Income taxes payable	120,022	275,091
Current future income tax liabilities	119,541	131,225
Current portion of acquisition notes payable	3,066,668	1,350,000
Current portion of long-term debt	-	500,000
Current portion of capital lease obligations	281,666	264,295
	19,690,304	19,186,931
<b>Long-term future income tax liabilities</b>	484,667	625,772
<b>Long-term debt</b>	-	165,992
<b>Long-term capital lease obligations</b>	709,279	992,060
<b>Long-term acquisition notes payable</b>	-	100,000
<b>Total liabilities</b>	20,884,250	21,070,755
<b>Shareholders' equity</b>		
Share capital	16,872,129	17,176,172
Contributed surplus	706,513	268,895
Retained earnings	8,123,631	6,291,539
<b>Total shareholders' equity</b>	25,702,273	23,736,606
	\$ 46,586,523	\$ 44,807,361

**Pareto Corporation**

**Consolidated Statements of Operations and Retained Earnings**

<b>For the years ended</b>	<b>December 31 2007</b>	<b>December 31 2006</b>
<b>Revenue</b>	<b>\$ 74,340,013</b>	<b>\$ 51,080,008</b>
<b>Operating and administrative expenses</b>	<b>67,486,077</b>	<b>48,330,272</b>
	<b>6,853,936</b>	<b>2,749,736</b>
Amortization of capital assets	556,864	361,174
Amortization of intangible assets	211,111	118,599
Amortization of deferred costs	188,124	149,751
Interest and finance charges, net	431,404	82,617
Gain on acquisition	-	(192,042)
Share-based compensation	480,623	134,210
	<b>1,868,126</b>	<b>654,309</b>
Earnings before income taxes	4,985,810	2,095,427
Income taxes	1,855,313	545,632
<b>Net earnings and comprehensive income for the year</b>	<b>3,130,497</b>	<b>1,549,795</b>
<b>Retained earnings, beginning of year</b>	<b>6,291,539</b>	<b>5,409,564</b>
<b>Excess price paid over carrying value on repurchase of common shares</b>	<b>(1,298,405)</b>	<b>(667,820)</b>
<b>Retained earnings, end of year</b>	<b>\$ 8,123,631</b>	<b>\$ 6,291,539</b>
<b>Basic and diluted earnings per share</b>	<b>\$ 0.07</b>	<b>\$ 0.04</b>
<b>Weighted average number of common shares outstanding:</b>		
Basic	44,564,041	42,554,794
Diluted	45,931,882	44,130,278

# Pareto Corporation

## Consolidated Statements of Cash Flows

<b>For the years ended</b>	<b>December 31 2007</b>	<b>December 31 2006</b>
<b>Operating activities</b>		
Net earnings for the year	\$ 3,130,497	\$ 1,549,795
Items not involving cash:		
Amortization of capital assets	556,864	361,174
Amortization of intangible assets	211,111	118,599
Amortization of deferred costs	188,124	149,751
Non-cash interest and finance charges	6,347	13,124
Share-based compensation	480,623	134,210
Gain on acquisition	-	(192,042)
Future income tax provision	1,918,465	435,970
	<b>6,492,031</b>	<b>2,570,581</b>
Changes in non cash operating accounts	<b>(5,874,867)</b>	<b>(3,670,423)</b>
	<b>617,164</b>	<b>(1,099,842)</b>
<b>Investing activities</b>		
Capital asset additions	(2,117,671)	(927,724)
Other asset additions	(21,719)	(66,792)
Acquisitions, net of cash acquired	(36,422)	(4,861,098)
	<b>(2,175,812)</b>	<b>(5,855,614)</b>
<b>Financing activities</b>		
Proceeds from loans receivable	366,667	683,333
Repayment of acquisition notes payable	(1,383,332)	(335,000)
Repayment of long-term debt	(665,992)	(667,004)
Repayment of capital lease obligations	(265,410)	(103,690)
Issuance of shares	143,500	8,724,405
Share issue costs	(22,796)	(652,097)
Repurchase of common shares	(2,002,407)	(753,291)
	<b>(3,829,770)</b>	<b>6,896,656</b>
<b>Decrease in cash for the year</b>	<b>(5,388,418)</b>	<b>(58,800)</b>
<b>Cash, beginning of year</b>	<b>5,020,127</b>	<b>5,078,927</b>
<b>(Bank Indebtedness)/Cash, end of year</b>	<b>\$ (368,291)</b>	<b>\$ 5,020,127</b>