



PARETO ANNOUNCES SECOND QUARTER FINANCIAL RESULTS

Revenue of \$17.0 million; EBITDA up 7% to \$2.1 million

TORONTO, ONTARIO, August 7, 2009 – Pareto Corporation (TSX: PTO), a leading marketing services company, today announced its financial results for the three months ended June 30, 2009.

The Company also announced a substantial issuer bid (SIB) for the purchase and cancellation of up to \$10,000,000 of its common shares at a purchase price of not less than \$0.75 per share and not more than \$1.00 per share. The substantial issuer bid will proceed by way of a “modified Dutch auction”. The Company intends to finance the purchase through a new credit facility arranged with a major Canadian chartered bank. The credit facility is comprised of a three year term loan in the amount of up to \$15 million and a line of credit in the amount of \$10 million which replaces the Company’s existing line of credit. Details of the substantial issuer bid are available in a separate news release.

Q2 Financial and Operating Highlights

- Revenue was \$17.0 million in the second quarter, compared to \$20.9 million in Q2 2008
- EBITDA* was \$2.1 million, an increase of 7% from \$2.0 million a year earlier
- As a percentage of revenue, EBITDA margins were 12.5%, up from 9.6% in Q2 2008
- Net earnings were \$1,073,962, up 12% from \$961,618 in the second quarter of 2008
- Diluted earnings per share were \$0.02, consistent with \$0.02 a year earlier

Year-to-Date Highlights

- Revenue of \$33.2 million, compared to \$37.3 million in the first half of 2008
- EBITDA of \$3.5 million, representing 10.7% of revenue, compared to \$3.2 million or 8.5% of revenue in the comparable period a year earlier
- Net earnings of \$1.7 million, compared to \$1.4 million in the first half of 2008
- Diluted earnings per share of \$0.04, compared to \$0.03 in the comparable period of 2007

“Our revenues in the second quarter tracked to expectations,” said Kerry Shapansky, Pareto’s President and CEO. “A series of non-recurring event management projects in 2008 led us to anticipate a revenue decline. Our success in controlling costs and improving efficiency has enabled us to improve profitability despite a material revenue reduction. Looking to the third quarter, we anticipate growing revenues and maintaining our Q2 EBITDA margin levels, resulting in material improvement in EBITDA in the quarter.”

Regarding the concurrent announcement of the substantial issuer bid, Mr. Shapansky continued: “Today’s announcement of a substantial issuer bid is an attempt to provide short term liquidity to shareholders. The bid range represents a premium to our recent share price, but is below the range provided by our independent valuator. It is our belief that the Company has adequate resources to fund the SIB, maintain a quarterly dividend at current levels, and fund an acquisition if a suitable candidate is identified.”

Financial Review

Pareto's revenues for the three months ended June 30, 2009 were \$17.0 million, a decrease of \$3.8 million from revenues of \$20.9 million in the second quarter of 2008. The Company's retail promotion business grew by \$1.3 million as both new and existing customers placed greater importance during recessionary times on solutions designed to influence purchasing decisions at the point of sale. The increase was offset, however, by a \$4.3 million decline in Pareto's incentives business, as several customers impacted by the economic downturn have scaled back or cancelled large events, and by a \$0.9 million decline in the field merchandising business reflecting the absence of a \$2.5 million project undertaken during the first half of 2008. Revenues in the Company's other business units were relatively flat compared to the second quarter of last year.

EBITDA in the second quarter of 2009 was \$2.1 million, representing 12.5% of revenues, compared to \$2.0 million, or 9.6% of revenues a year earlier. EBITDA growth of 7%, despite the decline in revenues, was attributable to reduced infrastructure costs, improved operating efficiencies, and the mix of services sold. Operating and administrative expenses were \$14.9 million in the quarter, a decrease of 21% from \$18.9 million in Q2 2008.

Net earnings in the second quarter were \$1,073,962, an increase of 12% over \$961,618 of earnings in Q2 2008. Basic and diluted earnings per share were unchanged from a year earlier at \$0.02.

At June 30, 2009, Pareto had net bank indebtedness of \$2.1 million, compared to indebtedness of \$2.0 million three months earlier. The Company generated \$957,550 of cash from operations in Q2 2009, compared to \$816,583 a year earlier.

Pareto had 43,010,481 common shares issued and outstanding at June 30, 2009.

Outlook

Pareto expects its incentives business to continue to be adversely impacted in the third quarter due to the cancellation for 2009 of one of its largest event programs, but the Company is expecting improvements in revenues in all of its other offerings to more than offset. As a result, the Company expects total revenues in the third quarter to show a moderate increase compared to Q3 2008. Furthermore, given its ongoing success in achieving cost reductions and improved operating efficiencies, and in maintaining margins in areas where revenue has declined, the Company expects third quarter EBITDA to be significantly higher than in Q3 2008, with EBITDA margins at least as high as the 12.5% recorded in Q2 2009.

*** 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-recurring expenses) 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.

For further information, contact:

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

Karen Trudell, Chief Financial Officer, Pareto Corporation, (416) 790-2360

Jeff Codispodi, 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

As at	June 30 2009 (unaudited)	December 31 2008 (audited)
Assets		
Current assets		
Accounts receivable	\$ 13,794,240	\$ 16,460,617
Inventories	2,135,379	1,746,355
Prepaid expenses	689,221	466,040
Current future income tax assets	44,181	38,167
	16,663,021	18,711,179
Loans receivable and other assets	1,512,679	1,299,045
Long-term future income tax assets	263,345	258,209
Capital assets	3,284,534	3,340,697
Intangible assets	1,237,935	1,343,493
Goodwill	21,058,577	21,058,577
	\$ 44,020,091	\$ 46,011,200
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 2,140,682	\$ 654,573
Accounts payable and accrued liabilities	9,071,510	12,032,039
Dividends payable	645,147	1,717,246
Deferred revenue	1,942,839	2,023,252
Income taxes payable	776,425	983,915
Current portion of capital lease obligations	582,503	314,275
Current portion of lease inducements	42,482	42,482
	15,201,588	17,767,782
Long-term future income tax liabilities	337,982	194,192
Long-term capital lease obligations	-	395,004
Deferred lease inducements	321,501	342,742
Total liabilities	15,861,071	18,699,720
Shareholders' equity		
Share capital	16,604,987	16,501,855
Contributed surplus	1,795,348	1,492,547
Retained earnings and accumulated other comprehensive income	9,758,685	9,317,078
Total shareholders' equity	28,159,020	27,311,480
	\$ 44,020,091	\$ 46,011,200

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

	Three months ended June 30 (unaudited)		Six months ended June 30 (unaudited)	
	2009	2008	2009	2008
Revenue	\$ 17,048,569	\$ 20,853,852	\$ 33,231,565	\$ 37,307,022
Operating and administrative expenses	14,914,809	18,859,644	29,686,678	34,133,736
	2,133,760	1,994,208	3,544,887	3,173,286
Amortization of capital assets	156,955	158,638	324,005	317,590
Amortization of intangible assets	52,778	52,777	105,557	105,555
Interest expense	51,382	171,045	96,368	285,635
Interest income	(26,005)	(6,585)	(58,582)	(14,182)
Share-based compensation	231,274	193,811	420,933	401,591
	466,384	569,686	888,281	1,096,189
Earnings before income taxes	1,667,376	1,424,522	2,656,606	2,077,097
Income taxes	593,413	462,904	925,873	658,706
Net earnings and comprehensive income for the period	1,073,963	961,618	1,730,733	1,418,391
Retained earnings, beginning of period	9,329,881	7,940,323	9,317,078	7,877,806
Dividends declared	(645,159)	-	(1,289,126)	-
Excess price paid over carrying value on repurchase of common shares		(135,841)		(530,097)
Retained earnings, end of period	\$ 9,758,685	\$ 8,766,100	\$ 9,758,685	\$ 8,766,100
Basic and diluted earnings per share	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.03
Weighted average number of common shares outstanding:				
Basic	42,970,815	42,897,760	42,950,981	43,234,245
Diluted	45,209,205	44,735,332	45,017,411	44,965,913

Pareto Corporation

Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
	June 30 (unaudited)		June 30 (unaudited)	
	2009	2008	2009	2008
Operating activities				
Net earnings for the period	\$ 1,073,963	\$ 961,618	\$ 1,730,733	\$ 1,418,391
Items not involving cash:				
Amortization of capital assets	156,955	158,638	324,005	317,590
Amortization of intangible assets	52,778	52,777	105,557	105,555
Amortization of lease inducement	(10,620)	-	(21,241)	-
Non-cash interest	(20,599)	-	(48,384)	-
Share-based compensation	231,274	193,811	420,933	401,591
Future income tax provision	178,619	405,816	132,640	611,877
	1,662,370	1,772,660	2,644,243	2,855,004
Changes in non cash operating accounts	(704,820)	(956,077)	(1,209,261)	(1,807,226)
	957,550	816,583	1,434,982	1,047,778
Investing activities				
Capital asset additions	(208,320)	(431,812)	(267,841)	(484,271)
Proceeds from lease inducement	-	-	-	-
Loans receivable and other assets	(190,250)	-	(190,250)	(550,000)
Acquisitions, net of cash	-	(66,668)	-	(3,066,668)
	(398,570)	(498,480)	(458,091)	(4,100,939)
Financing activities				
Dividends paid	(643,977)	-	(2,361,223)	-
Repayment of capital lease obligations	(51,407)	(69,426)	(126,777)	(136,978)
Repayment of Loan Receivables	25,000	-	25,000	-
Issuance of shares	-	12,500	-	12,500
Share issue costs	-	-	-	(2,051)
Repurchase of common shares	-	(265,451)	-	(1,026,430)
	(670,384)	(322,377)	(2,463,000)	(1,152,959)
Increase (Decrease) in cash for the period	(111,404)	(4,274)	(1,486,109)	(4,206,120)
(Bank Indebtedness)/Cash, beginning of period	(2,029,278)	(4,570,137)	(654,573)	(368,291)
(Bank Indebtedness)/Cash, end of period	\$ (2,140,682)	\$ (4,574,411)	\$ (2,140,682)	\$ (4,574,411)