



PARETO ANNOUNCES THIRD QUARTER FINANCIAL RESULTS

Revenue of \$17.6 million; EBITDA up 51% to \$2.7 million

TORONTO, ONTARIO, November 9, 2009 – Pareto Corporation (TSX: PTO), a leading shopper marketing company, today announced its financial results for the three months ended September 30, 2009.

Q3 Financial and Operating Highlights

- Revenue was \$17.6 million in the third quarter, compared to \$18.1 million in Q3 2008
- EBITDA* was \$2.7 million, an increase of 51% from \$1.8 million a year earlier
- As a percentage of revenue, EBITDA margins were 15.2%, up from 9.8% in Q3 2008
- Net earnings were \$1.5 million, up 132% from \$0.6 million in the third quarter of 2008
- Diluted earnings per share were \$0.035, up from \$0.015 a year earlier
- Completed Substantial Issuer Bid, purchasing for cancellation 10.5 million shares for a total cost of \$10.0 million

Year-to-Date Highlights

- Revenue of \$50.8 million, compared to \$55.4 million in the first nine months of 2008
- EBITDA of \$6.2 million, representing 12.2% of revenue, compared to \$4.9 million or 8.9% of revenue in the comparable period a year earlier
- Net earnings of \$3.2 million, compared to \$2.1 million in the first nine months of 2008
- Diluted earnings per share of \$0.075, compared to \$0.050 in the comparable period of 2008

“Our continued focus on cutting costs and driving growth in our core Shopper Marketing business led to a 51% increase in EBITDA this quarter, compared to the third quarter of 2008,” said Kerry Shapansky, Pareto’s President and CEO. “Going forward, we will continue to increase our focus on Shopper Marketing, an area in which Pareto has been developing industry-leading expertise for more than seven years. Shopper Marketing is the fastest growing sector of the marketing industry. We believe we are uniquely well-positioned to capitalize on our position as Canada’s Shopper Marketing leader and profitably grow our business in the quarters and years to come.”

“During the third quarter we also successfully completed a Substantial Issuer Bid (“SIB”) intended to provide a short-term liquidity opportunity to our shareholders,” continued Mr. Shapansky. “Our strong financial position ensures that we had adequate resources to fund the SIB, while maintaining our quarterly dividend at current levels.”

Financial Review

Pareto’s revenues for the three months ended September 30, 2009 were \$17.6 million, a decrease of \$0.5 million from \$18.1 million in the third quarter of 2008. Revenues decreased this quarter in the Company’s incentives and loyalty services, down \$0.9 million, as the economic environment led several customers to cancel or defer large events. Offsetting this somewhat, are increases in direct marketing and in-store messaging services.

EBITDA increased by 51% in the third quarter of 2009 to \$2.7 million, representing 15.2% of revenues, compared to \$1.8 million, or 9.8% of revenues a year earlier. This significant EBITDA growth was achieved despite the slight decline in quarterly revenue. The improved EBITDA was attributable to

reduced infrastructure costs, ongoing improvement in operating efficiencies, and the mix of services sold. Operating and administrative expenses were \$14.9 million in the quarter, a decrease of 10% from \$16.4 million in Q3 2008.

Net earnings in the third quarter of 2009 were \$1.5 million, an increase of 132% over \$0.6 million of earnings in Q3 2008. Basic and diluted earnings per share increased to \$0.035 from \$0.015 a year earlier.

At September 30, 2009, Pareto had total debt of \$13.5 million, compared to indebtedness of \$2.7 million three months earlier. The increase in debt is attributable to the repurchase of shares from the SIB previously mentioned. The Company generated \$1.9 million of cash from operations in Q3 2009, compared to \$1.7 million a year earlier.

Following the completion of the SIB on September 18, 2009, Pareto had 32,584,166 common shares issued and outstanding at September 30, 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 Shopper Marketing 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	September 30 2009 (unaudited)	December 31 2008 (audited)
Assets		
Current assets		
Accounts receivable	\$ 16,029,248	\$ 16,460,617
Inventories	2,948,487	1,746,355
Prepaid expenses	607,898	466,040
Current future income tax assets	43,759	38,167
	<u>19,629,392</u>	<u>18,711,179</u>
Loans receivable and other assets	1,669,734	1,299,045
Long-term future income tax assets	183,184	258,209
Capital assets	4,728,082	3,340,697
Intangible assets	1,292,245	1,343,493
Goodwill	21,058,577	21,058,577
	<u>\$ 48,561,214</u>	<u>\$ 46,011,200</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 1,645,284	\$ 654,573
Accounts payable and accrued liabilities	10,450,224	12,032,039
Dividends payable	488,762	1,717,246
Deferred revenue	2,774,619	2,023,252
Income taxes payable	1,495,295	983,915
Current portion of capital lease obligations	-	314,275
Current portion of lease inducements	42,482	42,482
Current portion of long-term loan	1,200,000	-
	<u>18,096,666</u>	<u>17,767,782</u>
Long-term future income tax liabilities	326,890	194,192
Long-term capital lease obligations	-	395,004
Deferred lease inducements	310,881	342,742
Long-term loan	10,623,106	-
Total liabilities	<u>29,357,543</u>	<u>18,699,720</u>
Shareholders' equity		
Share capital	12,635,777	16,501,855
Contributed surplus	1,888,789	1,492,547
Retained earnings and accumulated other comprehensive income	4,679,105	9,317,078
Total shareholders' equity	<u>19,203,671</u>	<u>27,311,480</u>
	<u>\$ 48,561,214</u>	<u>\$ 46,011,200</u>

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

	Three months ended September 30 (unaudited)		Nine months ended September 30 (unaudited)	
	2009	2008	2009	2008
Revenue	\$ 17,591,647	\$ 18,126,430	\$ 50,823,212	\$ 55,433,452
Operating and administrative expenses	14,919,821	16,536,954	44,606,499	50,670,690
	2,671,826	1,589,476	6,216,713	4,762,762
Amortization of capital assets	153,221	177,355	477,226	494,945
Amortization of intangible assets	52,779	52,778	158,336	158,333
Interest expense	51,938	118,691	148,306	404,328
Interest income	(47,410)	(6,375)	(105,992)	(20,559)
Share-based compensation	208,441	203,214	629,374	604,805
	418,969	545,663	1,307,250	1,641,852
Earnings before income taxes	2,252,858	1,043,813	4,909,464	3,120,910
Income taxes	757,735	399,483	1,683,608	1,058,189
Net earnings and comprehensive income for the period	1,495,122	644,330	3,225,855	2,062,721
Retained earnings, beginning of period	9,758,685	8,766,100	9,317,077	7,877,806
Dividends declared	(488,762)	-	(1,777,887)	-
Excess price paid over carrying value on repurchase of common shares	(6,085,940)	-	(6,085,940)	(530,097)
Retained earnings, end of period	\$ 4,679,105	\$ 9,410,430	\$ 4,679,105	\$ 9,410,430
Basic earnings per share	\$ 0.036	\$ 0.015	\$ 0.076	\$ 0.048
Diluted earnings per share	\$ 0.034	\$ 0.014	\$ 0.073	\$ 0.046
Weighted average number of common shares outstanding:				
Basic	41,545,569	42,773,370	42,244,025	43,066,546
Diluted	43,857,647	44,664,783	44,410,848	44,841,339

Pareto Corporation

Consolidated Statements of Cash Flows

	Three months ended		Nine months ended	
	September 30 (unaudited)		September 30 (unaudited)	
	2009	2008	2009	2008
Operating activities				
Net earnings for the period	\$ 1,495,122	\$ 644,330	\$ 3,225,855	\$ 2,062,721
Items not involving cash:				
Amortization of capital assets	153,221	177,354	477,226	494,945
Amortization of intangible assets	52,779	52,778	158,336	158,333
Amortization of lease inducement	(10,621)	(28,571)	(31,862)	(28,571)
Non-cash interest	(41,805)	-	(90,189)	-
Non-cash lease expense	-	-	-	197,130
Share-based compensation	208,441	203,214	629,374	604,805
Future income tax provision	69,491	236,099	202,131	847,976
	1,926,628	1,285,204	4,570,871	4,337,339
Changes in non cash operating accounts	(37,428)	424,557	(1,246,689)	(1,579,800)
	1,889,200	1,709,761	3,324,182	2,757,539
Investing activities				
Capital asset additions	(1,596,770)	(144,903)	(1,864,611)	(629,174)
Intangible asset additions	(107,088)	-	(107,088)	-
Proceeds from lease inducement	-	227,285	-	227,285
Loans receivable and other assets	(190,250)	(188,500)	(380,500)	(738,500)
Acquisitions, net of cash	-	-	-	(3,066,668)
	(1,894,108)	(106,118)	(2,352,199)	(4,207,057)
Financing activities				
Dividends paid	(645,147)	-	(3,006,371)	-
Repayment of capital lease obligations	(582,503)	(71,353)	(709,279)	(208,331)
Repayment of Loans Receivable	75,000	-	100,000	-
Proceeds from term loan	11,823,106	-	11,823,106	-
Issuance of shares	-	86,000	-	98,500
Share issue costs	-	-	-	(2,051)
Repurchase of common shares	(10,170,150)	-	(10,170,150)	(1,026,430)
	500,306	14,647	(1,962,694)	1,138,312
Increase (Decrease) in cash for the period	495,398	1,618,290	(990,711)	(2,587,830)
(Bank Indebtedness)/Cash, beginning of period	(2,140,682)	(4,574,411)	(654,573)	(368,291)
(Bank Indebtedness)/Cash, end of period	\$ (1,645,284)	\$ (2,956,121)	\$ (1,645,284)	\$ (2,956,121)