



PARETO ANNOUNCES YEAR END FINANCIAL RESULTS AND PROVIDES STRATEGY UPDATE FOR 2010

EBITDA increases 17.5% to \$9.5 million and quarterly dividend increased to \$0.02

TORONTO, ONTARIO, March 5, 2010 – Pareto Corporation (TSX: PTO), a leading Shopper Marketing company, today announced its financial results for the year ended December 31, 2009.

2009 Year-End Financial and Operating Highlights:

- Revenue was \$70.4 million in fiscal 2009, a decrease of 8.8% from \$77.2 million in 2008
- EBITDA* was \$9.5 million, representing 13.4% of revenue, an increase of 17.5% from \$8.0 million a year earlier
- Net earnings increased 22% to \$4.5 million, or \$0.11 per share, compared to \$3.7 million or \$0.08 per share in the previous year.
- Secured new credit facility with major Canadian bank 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
- Completed Substantial Issuer Bid, purchasing for cancellation 10.5 million shares for a total cost of \$10.0 million
- Declared quarterly and special cash dividends totaling \$0.10 per share in 2009

Subsequent to Year End:

- Completed acquisition of Direct Sales Force in January, 2010

“We are pleased to have achieved strong results in 2009 despite operating in an extremely challenging economic environment. Through our proprietary technology solutions, we were able to deliver measurable cost efficiencies to our clients.. These technology solutions, together with our focus on managing expenses, resulted in a 17.5% increase in EBITDA and a 22% improvement in net earnings, compared to 2008,” said Kerry Shapansky, Pareto’s President and CEO.

“Our financial position remains strong, allowing us to pay quarterly dividends to our shareholders throughout 2009. In December, we were also pleased to declare a special cash dividend for the second consecutive year,” added Mr. Shapansky. “During 2009, we made the strategic decision to increase our focus on Shopper Marketing, the fastest-growing segment of the marketing industry. This decision has shown immediate results, as we generated growth in key service areas, such as in-store messaging and direct marketing.”

Financial Review

Pareto’s revenues for the year ended December 31, 2009 were \$70.4 million, a decrease of \$6.8 million or 8.8% over the previous year’s revenues. The decrease was primarily the result of non-recurring event and merchandising projects and was partially offset by increases in revenue from the Company’s in store messaging and direct marketing services. During 2009, a number of insufficiently profitable customer relationships were exited, resulting in reduced revenues on the year. However, the termination of these relationships contributed to significant improved margins and operating focus.

Operating and administrative expenses were \$60.9 million in 2009, a decrease of 11.9% from \$69.1 million the previous year. EBITDA was \$9.5 million in 2009, representing 13.4% of revenue, compared to \$8.1 million or 10.4% of revenue in 2008. The significant EBITDA growth was due to reduced

infrastructure costs, improved revenue mix and greater operating efficiencies, compared with the prior year.

Net earnings in fiscal 2009 were \$4.5 million, an increase of 22% from \$3.7 million in 2008. Earnings per share (fully diluted) were \$0.11 compared to \$0.08 per share (fully diluted), the prior year.

At December 31, 2009, Pareto had total debt of \$12.0 million compared to debt of \$1.4 million at December 31, 2008. The Company generated \$5.7 million of cash from operations in 2009, compared to \$7.2 million in 2008. The increase in debt is attributable to the repurchase of shares under the substantial issuer bid concluded in the fall of 2009.

Pareto currently has 34.1 million common shares issued and outstanding.

Dividend

Pareto today announced that its Board of Directors has declared an increase in the quarterly dividend rate to \$0.02 per issued and outstanding common share effective immediately with the first quarter dividend. The dividend will be payable on April 15, 2010, to shareholders of record at the close of business on March 31, 2010. Pareto advises that this dividend is designated as an "eligible dividend" as defined in subsection 89(1) of the Income Tax Act (Canada) and corresponding provincial legislation.

2010 Strategy Update

"Shopper Marketing is the fastest growing segment of the marketing industry. Properly executed it is the most effective way to stimulate consumer purchase decisions," stated Mr. Shapansky. "Pareto can now claim the leadership position in the Canadian Shopper Marketing industry, having carefully developed and acquired a suite of services in this space for over seven years." For more information, please visit Pareto's recently updated website at www.pareto.ca.

Effective January 1, 2010, Pareto implemented a client-centric operating structure replacing the business-centric structure of prior years. This new operating structure allows the company more flexibility to respond to the ever-changing needs of its clients. The Company is uniquely positioned to design an integrated solution that leverages all of its core capabilities or to execute individual marketing tactics when required. "Pareto is the one-stop shop for clients who need to seamlessly integrate multiple marketing activities that influence shopper behavior at critical decision points", said Mr. Shapansky.

Pareto is committed to continuing to develop and release proprietary technology that enables its clients to measure marketing program effectiveness. In a retail environment this reduces cycle time, increases compliance and lower costs. In an economic environment where marketing dollars are cautiously invested, Pareto believes that providing its clients with the metrics necessary to measure program effectiveness is essential. Pareto's technology provides the data to drive marketing investment decisions.

"The power of our integrated service offering, combined with our proprietary technology has generated strong growth in the first few months of 2010. As our existing clients benefit from Pareto's ability to positively impact sales performance, they are choosing to implement a broader range of our services. Recent wins in the consumer packaged goods, retail and financial services segments leave us optimistic about our prospects for growth in 2010," said Mr. Shapansky.

*** 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, non-recurring expenses, 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 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	December 31 2009	December 31 2008
Assets		
Current assets		
Cash	\$ 48,623	\$ -
Accounts receivable	18,766,352	16,460,617
Inventories	1,684,849	1,746,355
Prepaid expenses	645,236	466,040
Current future income tax assets	41,982	38,167
	<u>21,187,042</u>	<u>18,711,179</u>
Loans receivable and other assets	1,570,737	1,299,045
Long-term future income tax assets	71,243	258,209
Capital assets	4,591,668	3,340,697
Intangible assets	1,280,916	1,343,493
Goodwill	21,058,577	21,058,577
	<u>\$ 49,760,183</u>	<u>\$ 46,011,200</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 415,602	\$ 654,573
Accounts payable and accrued liabilities	11,035,642	12,032,040
Dividends payable	1,792,129	1,717,246
Deferred revenue	3,044,381	2,023,252
Income taxes payable	2,413,569	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	1,350,000	-
	<u>20,093,805</u>	<u>17,767,783</u>
Long-term future income tax liabilities	305,985	194,192
Long-term capital lease obligations	-	395,004
Deferred lease inducements	300,260	342,742
Long-term loan	10,191,099	-
Total liabilities	<u>30,891,149</u>	<u>18,699,721</u>
Shareholders' equity		
Share capital	12,635,777	16,501,855
Contributed surplus	2,091,495	1,492,547
Retained earnings and accumulated other comprehensive income	4,141,762	9,317,077
Total shareholders' equity	<u>18,869,034</u>	<u>27,311,479</u>
	<u>\$ 49,760,183</u>	<u>\$ 46,011,200</u>

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

For the years ended	December 31 2009	December 31 2008
Revenue	\$ 70,363,198	\$ 77,164,336
Operating and administrative expenses	60,902,385	69,292,286
	9,460,813	7,872,050
Amortization of capital assets	804,123	671,216
Amortization of intangible assets	211,114	211,114
Interest expense	308,620	516,898
Interest income	(110,039)	(102,508)
Gain on sale of capital asset	(9,418)	-
Impairment of convertible debentures	248,997	-
Share-based compensation	832,080	815,643
	2,285,477	2,112,363
Earnings before income taxes	7,175,336	5,759,687
Income taxes	2,694,695	2,073,072
Net earnings and comprehensive income for the year	4,480,641	3,686,615
Retained earnings, beginning of year	9,317,077	7,877,806
Dividends declared	(3,570,016)	(1,717,246)
Excess price paid over carrying value on repurchase of common shares	(6,085,940)	(530,098)
Retained earnings, end of year	\$ 4,141,762	\$ 9,317,077
Basic earnings per share	\$ 0.112	\$ 0.086
Diluted earnings per share	\$ 0.106	\$ 0.082
Weighted average number of common shares outstanding:		
Basic	39,979,183	42,983,113
Diluted	42,181,165	44,768,231

Pareto Corporation

Consolidated Statements of Cash Flows

For the years ended	December 31 2009	December 31 2008
Operating activities		
Net earnings for the year	\$ 4,480,641	\$ 3,686,615
Items not involving cash:		
Amortization of capital assets	804,123	671,216
Amortization of intangible assets	211,114	211,114
Amortization of lease inducement	(42,482)	(39,191)
Non-cash interest	(90,189)	(74,548)
Non-cash lease expense	-	197,130
Share-based compensation	832,080	815,643
Impairment of convertible debentures	248,997	-
Gain on sale of capital asset	(9,418)	-
Future income tax provision	294,944	1,066,620
	6,729,810	6,534,599
Changes in non cash operating accounts	(984,041)	697,456
	5,745,769	7,232,055
Investing activities		
Capital asset additions	(2,152,559)	(728,808)
Intangible asset additions	(148,538)	-
Proceeds from lease inducement	-	227,285
Proceeds from capital asset disposal	106,885	-
Advances for loans receivable and other assets	(530,500)	(738,500)
Proceeds from loans receivable	100,000	-
Acquisitions, net of cash	-	(5,066,668)
	(2,624,712)	(6,306,691)
Financing activities		
Dividends paid	(3,495,133)	-
Repayment of capital lease obligations	(709,279)	(281,665)
Proceeds from term loan	11,841,099	-
Repayment of term loan	(300,000)	-
Issuance of shares	-	98,500
Share issue costs	-	(2,051)
Repurchase of common shares	(10,170,150)	(1,026,430)
	(2,833,463)	(1,211,646)
Increase (Decrease) in cash for the year	287,594	(286,282)
Cash and Bank Indebtedness, beginning of year	(654,573)	(368,291)
Cash and Bank Indebtedness, end of year	\$ (366,979)	\$ (654,573)