



PARETO ANNOUNCES 2010 FIRST QUARTER RESULTS

Reports 19% revenue growth and a 35% increase in EBITDA

TORONTO, ONTARIO, May 5, 2010 – Pareto Corporation (TSX: PTO), a leading Shopper Marketing company, today announced its financial results for three-months ended March 31, 2010.

Q1 2010 Financial and Operating Highlights:

- Revenue was \$19.2 million, an increase of 19% from \$16.2 million in Q1 2009
- EBITDA was \$1.9 million, representing 9.9% of revenue, an increase of 34.8% from \$1.4 million or 8.6% of revenue in Q1 2009
- Net earnings increased 28% to \$0.8 million, or \$0.023 per diluted share, compared to \$0.6 million or \$0.015 per share in Q1 2009
- Acquired Direct Sales Force, a Canadian intercept marketing firm

“We are pleased to report robust growth in the first quarter of 2010, with our year-over-year revenue and EBITDA increasing by 19% and 35% respectively,” said Kerry Shapansky, Pareto’s President and CEO. “Our excellent results during the quarter were driven by a combination of organic growth and strong performance from our recent acquisition of Direct Sales Force (“DSF”). The acquisition has created synergies for Pareto, and already we have been successful in cross-selling a number of services between DSF and Pareto clients. Based on the strong customer demand we have seen so far this year, we expect our top-line growth to continue throughout the remainder of 2010 and achieve double digit organic growth for the year.”

“In the first quarter of 2010, our shareholders continued to benefit from our 2009 decision to re-focus our business on Shopper Marketing and the implementation of a client-centric organizational structure,” added Mr. Shapansky. “We continue to see evidence that clients are rethinking the way they allocate their marketing budgets and are increasingly turning to Shopper Marketing as the most effective way to influence their customers buying decisions. We are excited by the extent to which Shopper Marketing’s influence is being embraced across a number of sectors. During the first quarter, we generated growth of approximately 25% in non-traditional retail sectors, such as telecommunications and financial services. We also added a number of new clients during the first three months of the year and expect to diversify and grow our client base throughout 2010.”

Financial Review

Pareto’s revenues for the quarter ended March 31, 2010 were \$19.2 million, an increase of 19% from \$16.2 million in the first quarter of 2009. The increased revenues were driven by the contribution from DSF, a Canadian intercept marketing company, acquired in January 2010, as well as a \$1.0 million or 6.0% increase in organic revenue growth.

Operating and administrative expenses were \$17.3 million in the first quarter of 2010, an increase of 16.9% from \$14.8 million in the same period last year. As a percentage of revenue, operating and administrative expenses decreased slightly to 90.1% from 91.3% in the first quarter of 2009.

In the first three months of 2010, Pareto generated net earnings of \$0.8 million, compared to net earnings of \$0.6 million in the same period in 2009. Earnings per share increased by 67%, to \$0.025 for the first quarter of 2010, from \$0.015 per share in the first quarter of 2009. On a diluted basis, earnings per share increased by 53%, compared to the period ended March 31, 2009.

At March 31, 2010, Pareto had net debt of \$15.7 million, compared to debt of \$11.9 million at December 31, 2009. The Company utilized \$3.9 million this quarter for the purchase of DSF. The Company generated \$2.3 million of cash from operations in the first quarter of 2010, compared to \$0.5 million in the first quarter of 2009. The significant increase was largely attributable to increased net earnings during the period and improved working capital.

Pareto currently has 34.4 million common shares issued and outstanding.

*** 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	March 31 2010 (unaudited)	December 31 2009 (audited)
Assets		
Current assets		
Cash	\$ 146,690	\$ 48,623
Accounts receivable	18,852,044	18,766,352
Inventories	3,318,010	1,684,849
Prepaid expenses	693,041	645,236
Current future income tax assets	2,829	41,982
	<u>23,012,614</u>	<u>21,187,042</u>
Loans receivable and other assets	1,720,737	1,570,737
Long-term future income tax assets	24,512	71,243
Capital assets	4,572,979	4,591,668
Intangible assets	1,357,434	1,280,916
Goodwill	25,888,979	21,058,577
	<u>\$ 56,577,255</u>	<u>\$ 49,760,183</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 4,564,634	\$ 415,602
Accounts payable and accrued liabilities	11,472,525	11,035,642
Dividends payable	688,309	1,792,129
Deferred revenue	4,602,330	3,044,381
Income taxes payable	2,705,966	2,413,569
Current portion of lease inducements	42,482	42,482
Current portion of long-term loan	1,500,000	1,350,000
	<u>25,576,246</u>	<u>20,093,805</u>
Long-term future income tax liabilities	254,221	305,985
Deferred lease inducements	289,640	300,260
Long-term loan	9,758,281	10,191,099
Total liabilities	<u>35,878,388</u>	<u>30,891,149</u>
Shareholders' equity		
Share capital	14,400,394	12,635,777
Contributed surplus	2,006,231	2,091,495
Retained earnings and accumulated other comprehensive income	4,292,242	4,141,762
Total shareholders' equity	<u>20,698,867</u>	<u>18,869,034</u>
	<u>\$ 56,577,255</u>	<u>\$ 49,760,183</u>

Pareto Corporation

Consolidated Statements of Operations and Retained Earnings

For the three months ended (unaudited)	March 31 2010	March 31 2009
Revenue	\$ 19,175,150	\$ 16,182,996
Operating and administrative expenses	17,272,803	14,771,869
	1,902,347	1,411,127
Amortization of capital assets	254,861	167,050
Amortization of intangible assets	52,779	52,779
Interest expense	196,107	44,986
Interest income	(4,184)	(32,577)
Share-based compensation	166,007	189,659
	665,570	421,897
Earnings before income taxes	1,236,777	989,230
Income taxes	397,988	332,460
Net earnings and comprehensive income for the period	838,789	656,770
Retained earnings, beginning of period	4,141,762	9,317,078
Dividends declared	(688,309)	(643,967)
Retained earnings, end of period	\$ 4,292,242	\$ 9,329,881
Basic earnings per share	\$ 0.025	\$ 0.015
Diluted earnings per share	\$ 0.023	\$ 0.015
Weighted average number of common shares outstanding:		
Basic	34,147,788	42,931,148
Diluted	37,130,242	44,860,685

Pareto Corporation

Consolidated Statements of Cash Flows

For the three months ended (unaudited)	March 31 2010	March 31 2009
Operating activities		
Net earnings for the period	\$ 838,789	\$ 656,770
Items not involving cash:		
Amortization of capital assets	254,861	167,050
Amortization of intangible assets	52,779	52,779
Amortization of lease inducement	(10,620)	(10,621)
Non-cash interest	17,182	(27,785)
Share-based compensation	166,007	189,659
Future income tax provision	31,934	(45,979)
	1,350,932	981,873
Changes in non cash operating accounts	952,327	(504,440)
	2,303,259	477,433
Investing activities		
Capital asset additions	(168,475)	(59,521)
Intangible asset additions	(129,293)	-
Advances for loans receivable and other assets	(150,000)	-
Acquisitions, net of cash	(3,865,509)	-
	(4,313,277)	(59,521)
Financing activities		
Bank indebtedness	4,149,031	1,374,704
Dividends paid	(1,792,129)	(1,717,246)
Repayment of capital lease obligations	-	(75,370)
Issuance of shares	55,257	-
Share issue costs	(4,074)	-
Repayment of long term debt	(300,000)	-
	2,108,085	(417,912)
Increase in cash for the period	98,067	-
Cash, beginning of period	48,623	-
Cash, end of period	\$ 146,690	\$ -