

For Immediate Release

**DATA GROUP LTD. ANNOUNCES
FIRST QUARTER FINANCIAL RESULTS FOR 2016**

HIGHLIGHTS

FIRST QUARTER 2016

- Net Income of \$1.9 million, including restructuring expenses of \$0.3 million, compared to Net Loss of \$1.1 million, including restructuring expenses of \$2.1 million, in the prior comparative period
- Adjusted Net Income of \$2.1 million, an increase of 442.5% year over year (See Table 3 and “Non-GAAP Measures” below)
- EBITDA of \$5.3 million, an increase of 268.7% year over year (See Table 2 and “Non-GAAP Measures” below)
- Adjusted EBITDA of \$5.7 million, an increase of 61.6% year over year (See Table 2 and “Non-GAAP Measures” below)
- Revenues of \$74.6 million, a decrease of 1.8% year over year

RECENT EVENT

- Resignation of President and Chief Executive Officer, effective July 3, 2016

Brampton, Ontario – May 4, 2016 – DATA Group Ltd. (TSX: DGI) (“DATA” or the “Company”) announced its consolidated financial results for the three months ended March 31, 2016.

“Our financial results for the first quarter of 2016 continued to demonstrate the benefits of the restructuring initiatives we implemented in fiscal 2015. Despite revenue declining year over year this quarter by approximately 2%, we continued to demonstrate year over year improvements in gross margin percentage, Adjusted EBITDA margin, Adjusted EBITDA and net income. We have now experienced three successive quarters of year over year improvements in margins and profitability”, said Michael G. Sifton, President and Chief Executive Officer of DATA.

On April 6, 2016, DATA announced that Mr. Sifton had tendered his resignation as an officer of the Company for personal reasons, with an effective date of July 3, 2016. Mr. Sifton remains a director of the Company. DATA’s Board of Directors has commenced a search for Mr. Sifton’s successor and expects to announce his replacement prior to the effective date of his resignation. Under the terms of the credit agreement with one of DATA’s lenders, if the Chief Executive Officer of the Company voluntarily resigns as an officer of DATA, the Company will have 60 days from the effective date of the officer’s resignation to replace such officer, such replacement officer to be satisfactory to the lender, acting reasonably. A failure by DATA to comply with its obligations under either of DATA’s credit agreements, together with certain other events, including in relation to a change in DATA’s chief executive officer, could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements.

Over the past several months, DATA’s senior leadership team has implemented significant changes that have made DATA more focused, optimized, united and ultimately more agile to adapt to the dramatic changes being experienced in the printing and communications management industry. DATA’s senior leadership team has developed and executed a number of key initiatives over the past year with the objective of enhancing long-term shareholder value. DATA’s senior leadership team is focused on continuing to realize the benefits from those recent initiatives and on stabilizing - and ultimately growing - revenues.

RESULTS OF OPERATIONS

All financial information in this press release is presented in Canadian dollars and in accordance with generally accepted accounting principles ("GAAP") measured under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") for publicly accountable entities, unless otherwise noted.

Table 1 The following table sets out selected historical consolidated financial information for the periods noted.

For the periods ended March 31, 2016 and 2015	Jan. 1 to Mar. 31, 2016	Jan. 1 to Mar. 31, 2015
<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	\$	\$
Revenues	74,614	76,002
Cost of revenues	56,241	58,717
Gross profit	18,373	17,285
Selling, general and administrative expenses	13,833	14,935
Restructuring expenses	324	2,054
Amortization of intangible assets	505	479
Income (loss) before finance costs and income taxes	3,711	(183)
Finance costs		
Interest expense	868	1,284
Interest income	(3)	(4)
Amortization of transaction costs	247	36
	1,112	1,316
Income (loss) before income taxes	2,599	(1,499)
Income tax expense (recovery)		
Current	176	7
Deferred	541	(375)
	717	(368)
Net income (loss) for the period	1,882	(1,131)
Net income (loss) attributable to common shareholders	1,882	(1,131)
Basic and diluted earnings (loss) per share	0.00	(0.05)
Weighted average number of common shares outstanding	998,752,732	23,490,592
As at March 31, 2016 and December 31, 2015	As at Mar. 31, 2016	As at Dec. 31, 2015
<i>(in thousands of Canadian dollars, unaudited)</i>	\$	\$
Current assets	75,389	80,125
Current liabilities	46,384	90,298
Total assets	127,584	134,067
Total non-current liabilities	61,183	24,750
Shareholders' (deficiency) equity	20,017	19,019

Table 2 The following table provides reconciliations of net income (loss) to EBITDA and of net income (loss) to Adjusted EBITDA for the periods noted. See “Non-GAAP Measures”.

EBITDA and Adjusted EBITDA Reconciliation

For the periods ended March 31, 2016 and 2015	Jan. 1 to Mar. 31, 2016	Jan. 1 to Mar. 31, 2015
<i>(in thousands of Canadian dollars, unaudited)</i>	\$	\$
Net income (loss) for the period	1,882	(1,131)
Interest expense	868	1,284
Interest income	(3)	(4)
Amortization of transaction costs	247	36
Current income tax expense	176	7
Deferred income tax expense (recovery)	541	(375)
Depreciation of property, plant and equipment	1,115	1,150
Amortization of intangible assets	505	479
EBITDA	5,331	1,446
Restructuring expenses	324	2,054
Adjusted EBITDA	5,655	3,500

Table 3 The following table provides reconciliations of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share and Pro forma Adjusted net income (loss) per share for the periods noted. See “Non-GAAP Measures”.

Adjusted Net Income (Loss) Reconciliation

For the periods ended March 31, 2016 and 2015	Jan. 1 to Mar. 31, 2016	Jan. 1 to Mar. 31, 2015
<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	\$	\$
Net income (loss) for the period	1,882	(1,131)
Restructuring expenses	324	2,054
Tax effect of the above adjustments	(85)	(532)
Adjusted net (loss) income	2,121	391
Adjusted net income (loss) per share, basic and diluted	0.0021	0.0200
Pro forma Adjusted net income (loss) per share, basic and diluted ⁽¹⁾	0.0021	0.0004
Weighted average number of common shares outstanding	998,752,732	23,490,592
Number of common shares outstanding	998,752,732	23,490,592

Note:

(1) On December 23, 2015, DATA issued 975,262,140 common shares in connection with the redemption of approximately 75% of the aggregate principal amount of its outstanding 6.00% Convertible Unsecured Subordinated Debentures (the “6.00% Convertible Debentures”). Pro forma Adjusted net income (loss) per share, a non-GAAP measure, assumes Adjusted net income (loss) per share for the periods ended March 31, 2016 and 2015 were calculated on the basis of the total number of shares outstanding at March 31, 2016, rather than the weighted average number of shares outstanding at the respective period ends, given the significant dilution that occurred with eight days left in the 2015 fiscal year due to the issuance of 975,262,140 common shares as described above.

Revenues

For the three months ended March 31, 2016, DATA recorded revenues of \$74.6 million, a decrease of \$1.4 million or 1.8% compared with the same period in 2015. The decrease in revenues for the three months ended March 31, 2016 was primarily

due to a greater decline in orders from existing customers for print-related products and services than offsetting growth in revenues from new customers.

Cost of Revenues and Gross Profit

For the three months ended March 31, 2016, cost of revenues decreased to \$56.2 million from \$58.7 million for the same period in 2015. Gross profit for the quarter ended March 31, 2016 was \$18.4 million, which represented an increase of \$1.1 million or 6.3% from \$17.3 million for the same period in 2015. Gross profit as a percentage of revenues increased to 24.6% for the three months ended March 31, 2016 compared to 22.7% for the same period in 2015. The increase in gross profit as a percentage of revenues for the three months ended March 31, 2016 was largely due to the cost reductions realized from prior cost savings initiatives implemented in 2015. Those cost savings initiatives included headcount reductions, which helped reduce direct and indirect labour costs.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, excluding amortization of intangible assets, for the three months ended March 31, 2016 decreased \$1.1 million or 7.4% to \$13.8 million compared to \$14.9 million in the same period in 2015. As a percentage of revenues, these costs were 18.5% of revenues for the three months ended March 31, 2016 compared to 19.7% of revenues for the same period in 2015. The decrease in SG&A expenses for the three months ended March 31, 2016 was primarily attributable to cost savings initiatives implemented in 2015, including headcount reductions across sales, general and administration functions.

Restructuring Expenses

For the three months ended March 31, 2016, DATA incurred restructuring expenses related to headcount reductions of \$0.3 million. For the three months ended March 31, 2015, DATA incurred restructuring expenses of \$2.1 million comprised of (i) \$1.4 million of restructuring expenses due to headcount reductions across DATA's operations and the closure of certain manufacturing locations, and a (ii) charge to onerous contracts of \$0.7 million for a lease exit charge for a closed facility in Calgary, Alberta.

Adjusted EBITDA

For the three months ended March 31, 2016, Adjusted EBITDA was \$5.7 million, or 7.6% of revenues. Adjusted EBITDA for the three months ended March 31, 2016 increased \$2.2 million or 61.6% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, increased from 4.6% of revenues in 2015 to 7.6% of revenues in 2016. The increase in Adjusted EBITDA for the three months ended March 31, 2016 was attributable to improved gross margins as a result of prior cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DATA's key plants, despite lower levels of revenues compared to the prior comparable period.

Interest Expense

Interest expense, including interest on debt outstanding under DATA's credit facilities, on its outstanding 6.00% Convertible Debentures, on certain unfavourable lease obligations related to closed facilities and on DATA's employee benefit plans, was \$0.9 million for the quarter ended March 31, 2016 compared to \$1.3 million for the same period in 2015. Interest expense for the three months ended March 31, 2016 was lower than the same period in the prior year primarily as a result of reductions in the aggregate principal amount of outstanding 6.00% Convertible Debentures and debt outstanding under DATA's credit facilities.

Income Taxes

DATA reported income before income taxes of \$2.6 million, a current income tax expense of \$0.2 million and a deferred income tax expense of \$0.5 million for the quarter ended March 31, 2016 compared to a loss before income taxes of \$1.5 million and a deferred income tax recovery of \$0.4 million for the three months ended March 31, 2015. The current income tax expense was due to the taxes payable on DATA's estimated taxable income for the three months ended March 31, 2016. The deferred income tax expense and deferred income tax recovery were due to changes in estimates of future reversals of temporary differences and new temporary differences that arose during for the three months ended March 31, 2016 and 2015.

Net Income (Loss)

Net income for the three months ended March 31, 2016 was \$1.9 million compared to a net loss of \$1.1 million for the quarter ended March 31, 2015. The increase in comparable profitability for the three months ended March 31, 2016 was substantially due to higher gross profit as a result of lower direct and indirect costs, cost savings realized as a result of the restructuring initiatives in 2015 that led to a decline in SG&A expenses and lower interest expense during the three months ended March 31, 2016. The increase in comparable profitability was partially offset by larger current income tax expense, deferred income tax expense and restructuring expenses, respectively, during the three months ended March 31, 2016.

Adjusted Net Income (Loss)

Adjusted net income for the three months ended March 31, 2016 was \$2.1 million compared to Adjusted net income of \$0.4 million for the same period in 2015. The increase in comparable profitability for the three months ended March 31, 2016 was attributable to higher gross profit as a result of lower direct and indirect labour costs and SG&A expenses attributable to cost savings realized as a result of the restructuring initiatives in 2015.

INVESTING ACTIVITIES

Capital expenditures for the three months ended March 31, 2016 were \$0.7 million. These capital expenditures, which were financed by cash flow from operations, were related primarily to maintenance capital expenditures.

FINANCING ACTIVITIES

During the three months ended March 31, 2016, DATA received \$43.9 million in cash from advances under its new credit facilities and repaid \$43.3 million and \$0.6 million of the principal amount outstanding under its old and new credit facilities, respectively. During the three months ended March 31, 2016, DATA incurred \$1.3 million of transaction costs related to the establishment of its new credit facilities.

About DATA Group Ltd.

At DATA, we are experts at planning and driving business communications. We help marketers and agencies unify and execute communications campaigns across multiple channels, and we help operations teams streamline and automate document and communications management processes. Our core capabilities include direct marketing, commercial print services, labels and automated identification solutions, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. We serve clients in key vertical markets such as financial services, healthcare, lottery and gaming, retail, not-for-profit, and energy. We are strategically located across Canada to support clients on a national basis, and serve the U.S. market through our facilities in Chicago, Illinois.

Additional information relating to DATA Group Ltd. is available on www.datacm.com, and in the disclosure documents filed by DATA Group Ltd. on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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For further information, contact:

Mr. Michael G. Sifton
President and Chief Executive Officer
DATA Group Ltd.
Tel: (905) 791-3151

Mr. James E. Lorimer
Chief Financial Officer
DATA Group Ltd.
Tel: (905) 791-3151

FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DATA, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this press release, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DATA's current views regarding future events and operating performance, are based on information currently available to DATA, and speak only as of the date of this press release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DATA to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DATA made or took into account in the preparation of these forward-looking statements include: DATA's ability to identify and hire a replacement to its current Chief Executive Officer on terms acceptable to DATA; the terms of DATA's credit facilities with the Integrated Private Debt division of Integrated Asset Management Corp. ("IAM"), which provide that any such replacement officer must be hired within a specified period of time and must be satisfactory to IAM, acting reasonably; the limited growth in the traditional printing industry and the potential for further declines in sales of DATA's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DATA which are related to reduced demand for its printed products will adversely affect DATA's financial results; the risk that DATA may not be successful in reducing the size of its legacy print business, reducing costs, reducing its long-term debt, repaying or refinancing its outstanding 6.00% convertible unsecured subordinated debentures, and growing its digital communications business; the risk that DATA may not be successful in managing its organic growth; DATA's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater

economic resources than DATA and are well-established suppliers; DATA's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DATA's businesses; risks associated with acquisitions by DATA; increases in the costs of paper and other raw materials used by DATA; and DATA's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this press release and under the headings "Risk Factors" and "Risks and Uncertainties" in DATA's management's discussion and analysis and in DATA's other publicly available disclosure documents, as filed by DATA on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DATA does not intend and does not assume any obligation to update these forward-looking statements.

NON-GAAP MEASURES

This press release includes certain non-GAAP measures as supplementary information. Except as otherwise noted, when used in this press release, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA for the three months ended March 31, 2016 and 2015 means EBITDA adjusted for restructuring expenses, respectively. Adjusted net income (loss) for the three months ended March 31, 2016 and 2015 means net income (loss) adjusted for restructuring expenses and the tax effects of those items, respectively. Adjusted net income (loss) per share, basic is calculated by dividing Adjusted net income for the period by the weighted average number of shares (basic and diluted) outstanding during the period. Pro forma Adjusted net income (loss) per share assumes Adjusted net income (loss) per share was calculated on the basis of the total number of shares outstanding at March 31, 2016, rather than the weighted average number of shares outstanding at the period end, given the significant dilution that occurred on December 23, 2015 due to the issuance of 975,262,140 common shares in connection with the redemption of 6.00% convertible unsecured subordinated debentures. DATA believes that, in addition to net income (loss), Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA. Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of DATA's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA, see Table 2 above. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share and Pro forma Adjusted net income (loss) per share, see Table 3 above.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands of Canadian dollars, unaudited)</i>	March 31, 2016	December 31, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	815	871
Trade receivables	32,281	38,051
Inventories	38,449	37,053
Prepaid expenses and other current assets	3,844	4,150
	<u>75,389</u>	<u>80,125</u>
Non-current assets		
Deferred income tax assets	1,761	2,070
Restricted cash	450	-
Property, plant and equipment	13,638	14,422
Pension asset	147	770
Intangible assets	5,133	5,614
Goodwill	31,066	31,066
	<u>127,584</u>	<u>134,067</u>
Liabilities		
Current liabilities		
Current portion of Credit facilities	5,711	43,095
Trade payables	26,496	29,766
Provisions	4,103	5,723
Income taxes payable	1,072	903
Deferred revenue	9,002	10,811
	<u>46,384</u>	<u>90,298</u>
Non-current liabilities		
Provisions	988	1,483
Credit facilities	36,390	-
Convertible debentures	10,956	10,912
Deferred income tax liabilities	32	76
Other non-current liabilities	1,721	1,362
Pension obligations	8,469	8,354
Other post-employment benefit plans	2,627	2,563
	<u>107,567</u>	<u>115,048</u>
Equity		
Shareholders' equity		
Shares	234,782	234,782
Conversion options	128	128
Contributed surplus	385	385
Accumulated other comprehensive income	197	306
Deficit	(215,475)	(216,582)
	<u>20,017</u>	<u>19,019</u>
	<u>127,584</u>	<u>134,067</u>

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	For the three months ended March 31, 2016	For the three months ended March 31, 2015
	\$	\$
Revenues	74,614	76,002
Cost of revenues	56,241	58,717
Gross profit	18,373	17,285
Expenses		
Selling, commissions and expenses	8,515	9,112
General and administration expenses excluding amortization of intangible assets	5,318	5,823
Restructuring expenses	324	2,054
Amortization of intangible assets	505	479
	14,662	17,468
Income (loss) before finance costs and income taxes	3,711	(183)
Finance costs		
Interest expense	868	1,284
Interest income	(3)	(4)
Amortization of transaction costs	247	36
	1,112	1,316
Income (loss) before income taxes	2,599	(1,499)
Income tax expense (recovery)		
Current	176	7
Deferred	541	(375)
	717	(368)
Net income (loss) for the period	1,882	(1,131)
Basic earnings (loss) per share	0.00	(0.05)
Diluted earnings (loss) per share	0.00	(0.05)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(in thousands of Canadian dollars, unaudited)</i>	For the three months ended March 31, 2016	For the three months ended March 31, 2015
	\$	\$
Net income (loss) for the period	1,882	(1,131)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income (loss)		
Foreign currency translation	(109)	86
	<u>(109)</u>	<u>86</u>
Items that will not be reclassified to net income (loss)		
Re-measurements of post-employment benefit obligations	(1,049)	165
Taxes related to post-employment adjustment above	274	(42)
	<u>(775)</u>	<u>123</u>
Other comprehensive (loss) income for the period, net of tax	(884)	209
Comprehensive income (loss) for the period	<u>998</u>	<u>(922)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars,
unaudited)

	Shares	Conversion options	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
	\$	\$		\$	\$	\$
Balance as at December 31, 2014	215,336	513	-	92	(197,528)	18,413
Net loss for the period	-	-	-	-	(1,131)	(1,131)
Other comprehensive income for the period	-	-	-	86	123	209
Total comprehensive income (loss) for the period	-	-	-	86	(1,008)	(922)
Balance as at March 31, 2015	215,336	513	-	178	(198,536)	17,491
Balance as at December 31, 2015	234,782	128	385	306	(216,582)	19,019
Net income for the period	-	-	-	-	1,882	1,882
Other comprehensive loss for the period	-	-	-	(109)	(775)	(884)
Total comprehensive (loss) income for the period	-	-	-	(109)	1,107	998
Balance as at March 31, 2016	234,782	128	385	197	(215,475)	20,017

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	1,882	(1,131)
Adjustments to net income (loss)		
Depreciation of property, plant and equipment	1,115	1,150
Amortization of intangible assets	505	479
Pension expense	148	152
Loss on disposal of property, plant and equipment	182	167
Provisions	324	2,054
Amortization of transaction costs	247	36
Accretion of convertible debentures	22	(18)
Other non-current liabilities	404	49
Other post-employment benefit plans, net	64	67
Income tax expense (recovery)	717	(368)
	5,610	2,637
Changes in working capital	(442)	3,663
Contributions made to pension plans	(459)	(459)
Provisions paid	(2,439)	(1,070)
Income taxes paid	(5)	(71)
	2,265	4,700
Investing activities		
Purchase of property, plant and equipment	(652)	(2,590)
Purchase of intangible assets	(24)	-
Proceeds on disposal of property, plant and equipment	118	28
	(558)	(2,562)
Financing activities		
Proceeds from credit facilities	43,931	-
Repayment of credit facilities	(43,824)	(1,000)
Repayment of loan payable	(24)	-
Increase in restricted cash	(450)	-
Finance and transaction costs	(1,326)	-
Finance lease payments	(11)	(9)
	(1,704)	(1,009)
Increase in cash and cash equivalents during the period	3	1,129
Cash and cash equivalents – beginning of period	871	812
Effects of foreign exchange on cash balances	(59)	52
Cash and cash equivalents – end of period	815	1,993