



For Immediate Release

DATA GROUP INC. ANNOUNCES FIRST QUARTER RESULTS FOR 2013

HIGHLIGHTS

Q1 2013

- Revenues of \$82.9 million, Gross Profit of \$21.7 million and Net Income of \$0.8 million
- Q1 Dividends declared of \$1.8 million or \$0.075 per share
- Q1 Adjusted EBITDA of \$7.4 million (See Table 2 and “Non-GAAP Measures” below)

Brampton, Ontario – May 8, 2013 – DATA Group Inc. (TSX: DGI) (“DATA Group”) announced its financial and operating results for the first quarter (“Q1”) ended March 31, 2013, which include the operating results of its subsidiaries DATA Group Ltd., DATA Group (US) Corp., The Fulfillment Solutions Advantage Inc. (“FSA”) and FSA Datalytics Canada Inc. (“Datalytics”).

“DATA Group made modest progress on our growth strategy in the first quarter of 2013. Although revenues did not meet our expectations, we made progress implementing new customer agreements that we won in late 2012 and new capabilities, while also reducing our costs. The new customer agreements are impacting our results at a slower rate than expected due to the pace of implementation. We continued to focus on marketing our Managed Business Communications Services, or MBCS, and to implement our new e-communications solutions. Our accelerated cost savings program, which we launched in the fourth quarter of 2012, began to be implemented, resulting in a number of operational and administrative cost reductions. As a result of these initiatives, we recorded \$0.8 million in restructuring charges in the first quarter of 2013 and expect to continue to incur restructuring charges through the balance of 2013” said Michael Suksi, President and Chief Executive Officer. “Adjusted EBITDA decreased from the prior year due to the continued investment in our growth strategy and a decline in revenues, and was partially offset by cost savings realized. We declared total dividends to shareholders during the first quarter of 2013 of \$1.8 million or \$0.075 per share, which represents an annualized rate of \$0.30 per share, and reduced our debt by \$2.0 million, which is consistent with our previously announced plans.”

Based on our current business outlook, we expect to continue with our current dividend per share rate, while also continuing to reduce our debt and invest in new revenue generating activities. We believe this strategy will position DATA Group for sustainable profit growth, enterprise value appreciation and a consistent dividend payout to our shareholders over the longer term.

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

Consolidated Statements of Income Information

For the periods ended March 31, 2013 and 2012

(in thousands of Canadian dollars, except per share amounts, unaudited)

	Jan. 1 to Mar. 31, 2013	Jan. 1 to Mar. 31, 2012 ⁽¹⁾
	\$	\$
Revenues	82,863	86,648
Cost of revenues	61,125	63,421
Gross profit	21,738	23,227
Selling, general and administrative expenses	15,686	16,924
Restructuring expenses	767	-
Corporate conversion costs	-	84
Amortization of intangible assets	2,310	2,311
Income before finance costs and income taxes	2,975	3,908
Finance costs		
Interest expense	1,638	1,677
Interest income	(2)	(9)
Amortization of transaction costs	143	152
	1,779	1,820
Income before income taxes	1,196	2,088
Income tax expense (recovery)		
Current	1,272	1,248
Deferred	(925)	(2,718)
	347	(1,470)
Net income for the period	849	3,558
Net income attributable to common shareholders	853	3,566
Basic and diluted earnings per share	0.04	0.15
Number of common shares outstanding	23,490,592	23,490,592

Consolidated Statements of Financial Position Information

As at March 31, 2013 and December 31, 2012

(in thousands of Canadian dollars, unaudited)

	As at Mar. 31, 2013	As at Dec. 31, 2012
	\$	\$
Current assets	85,176	84,069
Current liabilities	42,394	40,316
Total assets	223,021	224,629
Total non-current liabilities	118,442	122,199
Shareholders' equity	62,053	61,978
Non-controlling interest	132	136
Total equity	62,185	62,114

(1) Prior-period amounts have been revised to reflect the retrospective application of amendments to IAS 19 *Employee Benefits*.

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

Adjusted EBITDA Reconciliation

For the periods ended March 31, 2013 and 2012 <i>(in thousands of Canadian dollars, unaudited)</i>	Jan. 1 to Mar. 31, 2013 \$	Jan. 1 to Mar. 31, 2012 ⁽¹⁾ \$
Net income for the period	849	3,558
Interest expense	1,638	1,677
Interest income	(2)	(9)
Amortization of transaction costs	143	152
Depreciation of property, plant and equipment	1,328	1,423
Amortization of intangible assets	2,310	2,311
Restructuring expenses	767	-
Corporate conversion costs	-	84
Current income tax expense	1,272	1,248
Deferred income tax recovery	(925)	(2,718)
Adjusted EBITDA	7,380	7,726

(1) Prior-period amounts have been revised to reflect the retrospective application of amendments to IAS 19 *Employee Benefits*.

RESULTS OF OPERATIONS

Revenues

For the quarter ended March 31, 2013, DATA Group recorded revenues of \$82.9 million, a decrease of \$3.8 million or 4.4% compared with the same period in 2012. The decrease, before intersegment revenues, was the result of a \$3.4 million decrease in the DATA East and West segment and a \$0.4 million decrease in the Multiple Pakfold segment.

Cost of Revenues and Gross Profit

For the quarter ended March 31, 2013, cost of revenues decreased to \$61.1 million from \$63.4 million for the same period in 2012. Gross profit for the quarter ended March 31, 2013 was \$21.7 million, which represented a decrease of \$1.5 million or 6.4% from \$23.2 million for the same period in 2012. The decrease in gross profit for the quarter ended March 31, 2013 was attributable to a gross profit decrease of \$1.4 million in the DATA East and West segment and a gross profit decrease of \$0.1 million in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 26.2% for the quarter ended March 31, 2013 compared to 26.8% for the same period in 2012.

Selling, General and Administrative Expenses and Restructuring Expenses

Selling, general and administrative (“SG&A”) expenses, excluding amortization of intangible assets, for the quarter ended March 31, 2013 decreased \$1.2 million to \$15.7 million compared to \$16.9 million in the same period in 2012. As a percentage of revenues, these costs were 18.9% of revenues for the quarter ended March 31, 2013 compared to 19.5% of revenues for the same period in 2012. For the quarter ended March 31, 2012, DATA Group incurred \$0.1 million of severance expenses. The decrease in SG&A expenses for the three months ended March 31, 2013 was attributable to realizing the benefit of cost saving initiatives implemented in 2012. Severance costs for the three months ended March 31, 2012 were included in SG&A and were related to DATA Group’s on-going productivity improvements and cost reduction initiatives. For the three months ended March 31, 2013, DATA Group incurred restructuring expenses related to headcount reductions of \$0.8 million as part of its 2013 restructuring initiatives.

Corporate Conversion Costs

During the three months ended March 31, 2012, DATA Group incurred total professional fees of \$0.1 million related to the conversion to a corporation on January 1, 2012.

Adjusted EBITDA

For the quarter ended March 31, 2013, Adjusted EBITDA was \$7.4 million, or 8.9% of revenues. Adjusted EBITDA for the quarter ended March 31, 2013 decreased \$0.3 million or 4.5% from the same period in the prior year due to the continued investment in DATA Group's growth strategy and a decline in revenues, and was partially offset by cost savings realized. These costs included SG&A expense related to investments to launch new products and services. The Adjusted EBITDA margin for the quarter, as a percentage of revenues, remained unchanged at 8.9% of revenues in 2013 and the same period in 2012.

Interest Expense and Finance Costs

Interest expense on long-term debt outstanding under DATA Group's credit facilities, DATA Group's outstanding \$45.0 million aggregate principal amount of 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures") and interest expense on DATA Group's employee benefit plans was \$1.6 million for the three months ended March 31, 2013 compared to \$1.7 million for the same period in 2012. The decrease in interest expense during the three months ended March 31, 2013 was the result of lower outstanding balances under DATA Group's credit facilities.

Income Taxes

DATA Group reported income before income taxes of \$1.2 million, a current income tax expense of \$1.3 million and a deferred income tax recovery of \$0.9 million for the three months ended March 31, 2013 compared to income before income taxes of \$2.1 million, current income tax expense of \$1.2 million and a deferred income tax recovery of \$2.7 million for the three months ended March 31, 2012. As a result of the conversion, DATA Group re-measured its deferred tax assets and liabilities at the corporate tax rates applicable to corporations, which are lower than the top marginal tax rate for individuals used by The DATA Group Income Fund (the "Fund"). In addition, the Fund's conversion option liabilities were reclassified as equity on January 1, 2012 and the associated deferred tax liability was reversed. As a result of these changes, DATA Group recorded a deferred income tax recovery \$2.0 million during the first quarter of 2012.

Net Income

Net income for the quarter ended March 31, 2013 was \$0.8 million compared to a net income of \$3.6 million for the quarter ended March 31, 2012. The decrease in comparable profitability for the quarter ended March 31, 2013 was due to lower gross profit as a result of lower revenues, restructuring expenses and a smaller deferred income tax recovery. The decrease in comparable profitability was partially offset by lower SG&A expense.

INVESTING ACTIVITIES

Capital expenditures for the three months ended March 31, 2013 of \$0.5 million related primarily to maintenance capital expenditures. These capital expenditures were financed by cash flow from operations.

FINANCING ACTIVITIES

During the three months ended March 31, 2013, DATA Group repaid \$2.0 million of its Revolving Bank Facility outstanding. For the three months ended March 31, 2013, DATA Group paid aggregate cash dividends of \$1.3 million on its common shares.

About DATA Group Inc.

DATA Group Inc. is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business processes. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. We have approximately 1,800 employees working from 35 locations across Canada and the United States to accomplish this.

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

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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. Financial figures presented prior to January 1, 2012 are those of The DATA Group Income Fund, the predecessor to DATA Group Inc.

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 Group, 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 Group's current views regarding future events and operating performance, are based on information currently available to DATA Group, 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 Group 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 Group made or took into account in the preparation of these forward-looking statements include the risk that DATA Group may not be successful in growing its business or in managing its organic growth; DATA Group's ability to develop and successfully market new products and services; competition from competitors supplying similar products and services; DATA Group'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 Group's businesses; risks associated with acquisitions by DATA Group; increases in the costs of paper and other raw materials used by DATA Group; and DATA Group's ability to maintain relationships with its customers.

Additional factors are discussed elsewhere in this press release and under the heading “Risks and Uncertainties” in DATA Group’s management’s discussion and analysis and in DATA Group’s other publicly available disclosure documents, as filed by DATA Group 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 Group 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. When used in this press release, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization. Adjusted EBITDA for the three months ended March 31, 2013 means EBITDA adjusted for restructuring expenses. Adjusted EBITDA for the three months ended March 31, 2012 means EBITDA adjusted for corporate conversion costs. DATA Group believes that, in addition to net income (loss), EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA Group and its predecessors. EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that neither EBITDA nor Adjusted EBITDA should be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of DATA Group’s performance. For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 2 above.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, unaudited)

	March 31, 2013	December 31, 2012
	\$	\$
Assets		
Current assets		
Trade receivables	39,187	41,580
Inventories	41,218	38,085
Prepaid expenses and other current assets	4,771	4,404
	85,176	84,069
Non-current assets		
Deferred income tax assets	2,076	1,534
Property, plant and equipment	19,473	20,420
Intangible assets	15,230	17,540
Goodwill	101,066	101,066
	223,021	224,629
Liabilities		
Current liabilities		
Bank overdraft	583	1,161
Trade payables	31,486	28,289
Provisions	807	308
Income taxes payable	158	1,699
Deferred revenue	7,598	7,586
Dividends payable	1,762	1,273
	42,394	40,316
Non-current liabilities		
Provisions	814	867
Revolving bank facility	55,620	57,553
Convertible debentures	42,459	42,311
Deferred income tax liabilities	732	766
Other non-current liabilities	1,057	1,137
Pension obligations	14,984	16,839
Other post-employment benefit plans	2,776	2,726
	160,836	162,515
Equity		
Shareholders' equity		
Shares	215,336	215,336
Conversion options	516	516
Accumulated other comprehensive income	2	1
Deficit	(153,801)	(153,875)
	62,053	61,978
Non-controlling interest		
	132	136
	62,185	62,114
	223,021	224,629

CONSOLIDATED STATEMENTS OF INCOME

(in thousands of Canadian dollars, except per share amounts, unaudited)

	For the three months ended March 31, 2013	For the three months ended March 31, 2012 ⁽¹⁾
	\$	\$
Revenues	82,863	86,648
Cost of revenues	61,125	63,421
Gross profit	21,738	23,227
Expenses		
Selling, commissions and expenses	9,368	9,786
General and administration expenses excluding amortization of intangible assets	6,318	7,138
Restructuring expenses	767	-
Corporate conversion costs	-	84
Amortization of intangible assets	2,310	2,311
	18,763	19,319
Income before finance costs and income taxes	2,975	3,908
Finance costs		
Interest expense	1,638	1,677
Interest income	(2)	(9)
Amortization of transaction costs	143	152
	1,779	1,820
Income before income taxes	1,196	2,088
Income tax expense (recovery)		
Current	1,272	1,248
Deferred	(925)	(2,718)
	347	(1,470)
Net income for the period	849	3,558
Net income (loss) attributable to:		
Common shareholders	853	3,566
Non-controlling interest	(4)	(8)
	849	3,558
Basic earnings per share	0.04	0.15
Diluted earnings per share	0.04	0.15

(1) Prior-period amounts have been revised to reflect the retrospective application of amendments to IAS 19 *Employee Benefits*.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2013	For the three months ended March 31, 2012 ⁽¹⁾
	\$	\$
Net income for the period	849	3,558
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income		
Foreign currency translation	1	-
	1	-
Items that will not be reclassified to net income		
Deferred income tax recovery on conversion to a corporation	-	406
Actuarial gains (losses) on post-employment benefit obligations	1,332	(596)
Taxes related to post-employment adjustment above	(349)	152
	983	(38)
Other comprehensive income (loss) for the period, net of tax	984	(38)
Comprehensive income for the period	1,833	3,520
Comprehensive income (loss) attributable to:		
Common shareholders	1,837	3,528
Non-controlling interest	(4)	(8)
	1,833	3,520

(1) Prior-period amounts have been revised to reflect the retrospective application of amendments to IAS 19 *Employee Benefits*.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars, unaudited)

	Attributable to Shareholders'							
	Shares	Units	Conversion	Accumulated other comprehensive	Deficit	Total Shareholders' Equity	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2011	-	215,336	-	-	(97,973)	117,363	313	117,676
Effect of conversion to a corporation	215,336	(215,336)	516	-	-	516	-	516
	215,336	-	516	-	(97,973)	117,879	313	118,192
Net income (loss) for the period ⁽¹⁾	-	-	-	-	3,566	3,566	(8)	3,558
Other comprehensive loss for the period ⁽¹⁾	-	-	-	-	(38)	(38)	-	(38)
Total comprehensive income (loss) for the period	-	-	-	-	3,528	3,528	(8)	3,520
Dividends declared	-	-	-	-	(3,820)	(3,820)	-	(3,820)
Balance as at March 31, 2012	215,336	-	516	-	(98,265)	117,587	305	117,892
Balance as at December 31, 2012	215,336	-	516	1	(153,875)	61,978	136	62,114
Net income (loss) for the period	-	-	-	-	853	853	(4)	849
Other comprehensive income for the period	-	-	-	1	983	984	-	984
Total comprehensive (loss) income for the period	-	-	-	1	1,836	1,837	(4)	1,833
Dividends declared	-	-	-	-	(1,762)	(1,762)	-	(1,762)
Balance as at March 31, 2013	215,336	-	516	2	(153,801)	62,053	132	62,185

(1) Prior-period amounts have been revised to reflect the retrospective application of amendments to IAS 19 *Employee Benefits*.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2013 \$	For the three months ended March 31, 2012 ⁽¹⁾ \$
Cash provided by (used in)		
Operating activities		
Net income for the period	849	3,558
Adjustments to net income		
Depreciation of property, plant and equipment	1,328	1,423
Amortization of intangible assets	2,310	2,311
Pension expense	236	234
Loss on disposal of property, plant and equipment	57	1
Change in provisions	446	(64)
Amortization of transaction costs	143	152
Accretion of convertible debentures	73	74
Other non-current liabilities	(80)	(47)
Other post-employment benefit plans, net	50	67
Income tax expense (recovery)	347	(1,470)
	5,759	6,239
Changes in working capital	2,100	(1,719)
Contributions made to pension plans	(759)	(775)
Income taxes paid	(2,813)	(1,904)
	4,287	1,841
Investing activities		
Purchase of property, plant and equipment	(464)	(292)
Purchase of intangible assets	-	(415)
Proceeds on disposal of property, plant and equipment	26	-
	(438)	(707)
Financing activities		
Repayment of revolving bank facility	(2,000)	(1,000)
Finance costs	(1)	(138)
Dividends or distributions paid	(1,273)	(3,819)
	(3,274)	(4,957)
Increase (decrease) in (bank overdraft) cash and cash equivalents during the period	575	(3,823)
Effects of foreign exchange on cash balances	3	-
(Bank overdraft) cash and cash equivalents – beginning of period	(1,161)	4,046
(Bank overdraft) cash and cash equivalents – end of period	(583)	223

(1) Prior-period amounts have been revised to reflect the retrospective application of amendments to IAS 19 *Employee Benefits*.