



For Immediate Release

DATA GROUP LTD. ANNOUNCES FIRST QUARTER RESULTS FOR 2014

HIGHLIGHTS

Q1 2014

- First quarter 2014 (“Q1”) Revenues of \$77.9 million, Q1 Gross Profit of \$18.8 million and Q1 Net Income of \$0.8 million (includes a Q1 restructuring charge of \$0.9 million)
- Q1 Adjusted EBITDA of \$5.4 million (See Table 2 and “Non-GAAP Measures” below)

Brampton, Ontario – May 15, 2014 – DATA Group Ltd. (TSX: DGI) (“DATA Group”) announced its consolidated financial and operating results for the first quarter year ended March 31, 2014.

We continue to make progress on our Transformation Plan and remain focused on creating long-term enterprise value appreciation for our shareholders. **In the first quarter of 2014, we reduced our costs by \$2.3 million on an annualized basis, generated \$6.4 million in revenues from the selected growth areas management has targeted and reduced debt by \$2.0 million.**

Why is a Transformation Plan Required?

Our industry has seen wholesale changes over the last number of years, mostly due to rapid technological advances. The competitive environment in which we operate has become even more challenging as our industry transforms to more digital forms of communications and adapts to new client demands for blended print and digital solutions. These factors adversely impacted our financial results for 2013 and the first quarter of 2014. DATA Group has responded with a Transformation Plan that establishes clear goals, all of which aim to enhance shareholder value by:

- **continuing to significantly reduce our costs**
- **reducing our indebtedness**
- **stabilizing our revenues**

Cost Reduction

In 2013, we launched a comprehensive, three-year cost reduction program that resulted in **\$13.0 million in annualized cost savings in its first year. We expect an additional \$20.0 million to \$25.0 million in total annualized cost savings in 2014 and 2015**, mostly generated through a further reduction in locations, raw material costs and the number of employees. In the first quarter of 2014, we made further progress on this program by implementing new cost savings of \$2.3 million on an annualized basis.

Debt Reduction

We reduced our debt by \$2.0 million in the first quarter of 2014. DATA Group intends to continue our focus on debt reduction in the balance of 2014. On May 14, 2014, we also announced that we are commencing today a normal course issuer bid for the purchase of up to \$4.476 million of our outstanding 6.00% Convertible Unsecured Subordinated Debentures due June 30, 2017.

Revenue Stabilization

Our intent in 2014 is to stabilize our revenue and position ourselves for longer term growth. Our plan to achieve this is based on;

- Adding new sales talent
- Winning market share in our traditional print business
- Investing in the key growth areas we have identified; labels, marketing related print and digital (paperless) communications
- Bundling our digital services with our print offerings to increase the value we provide to our customers and increase the contribution these services make to our overall revenue and profitability

In the last three quarters we have made significant changes to our sales team by hiring new sales management and sales representatives. **During the first quarter of 2014, we generated \$6.4 million in new business and made encouraging progress on a number of new business sales opportunities in the retail, financial services and transportation markets.**

Additionally, during the first quarter a key competitor, Datamark Systems, announced they are ceasing operations and **we have won new business as a result.** Due to the timing of these wins, they did not have a material impact on our first quarter results, but we anticipate they will have a positive impact on our results during the remainder of the year. Business activity increased towards the end of the quarter which resulted in a \$1.3 million increase in working capital.

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, 2014 and 2013 <i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
	\$	\$
Revenues	77,903	82,863
Cost of revenues	59,100	61,125
Gross profit	18,803	21,738
Selling, general and administrative expenses	14,680	15,686
Restructuring expenses	865	767
Amortization of intangible assets	479	2,310
Income before finance costs and income taxes	2,779	2,975
Finance costs		
Interest expense	1,549	1,638
Interest income	(5)	(2)
Amortization of transaction costs	139	143
	1,683	1,779
Income before income taxes	1,096	1,196
Income tax expense (recovery)		
Current	-	1,272
Deferred	300	(925)
	300	347
Net income for the period	796	849
Net income attributable to common shareholders	796	853
Basic and diluted earnings per share	0.03	0.04
Number of common shares outstanding	23,490,592	23,490,592
	As at	As at
	Mar. 31,	Dec. 31,
As at March 31, 2014 and December 31, 2013 <i>(in thousands of Canadian dollars, unaudited)</i>	2014	2013
	\$	\$
Current assets	81,344	78,717
Current liabilities	46,894	42,545
Total assets	166,982	166,597
Total non-current liabilities	102,984	105,977
Shareholders' equity	17,104	18,075

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, 2014 and 2013 <i>(in thousands of Canadian dollars, unaudited)</i>	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
	\$	\$
Net income for the period	796	849
Interest expense	1,549	1,638
Interest income	(5)	(2)
Amortization of transaction costs	139	143
Depreciation of property, plant and equipment	1,308	1,328
Amortization of intangible assets	479	2,310
Restructuring expenses	865	767
Current income tax expense	-	1,272
Deferred income tax expense (recovery)	300	(925)
Adjusted EBITDA	5,431	7,380

Revenues

For the quarter ended March 31, 2014, DATA Group recorded revenues of \$77.9 million, a decrease of \$5.0 million or 6.0% compared with the same period in 2013. The decrease, before intersegment revenues, was the result of a \$5.2 million decrease in the DATA East and West segment and was offset by a \$0.2 million increase in the Multiple Pakfold segment. The decrease in revenues in the DATA EAST and West segment was primarily due to an order from existing customers for print-related products and services which did not repeat in 2014 and aggressive pricing by DATA Group’s competitors supplying similar products and services. The segment continued to experience revenue gains from new business, which partially offset declines in revenues from existing customers due to non-repeating orders, technological change and competitive activity. The increase in revenues in the Multiple Pakfold segment was attributable to new business which arose as a result of the bankruptcy of a competitor.

Cost of Revenues and Gross Profit

For the quarter ended March 31, 2014, cost of revenues decreased to \$59.1 million from \$61.1 million for the same period in 2013. Gross profit for the quarter ended March 31, 2014 was \$18.8 million, which represented a decrease of \$2.9 million or 13.5% from \$21.7 million for the same period in 2013. The decrease in gross profit for the quarter ended March 31, 2014 was attributable to a gross profit decrease of \$2.9 million in the DATA East and West segment. Gross profit as a percentage of revenues decreased to 24.1% for the quarter ended March 31, 2014 compared to 26.2% for the same period in 2013. The decrease in gross profit was attributable due to the impact of competitive pricing offset by cost reductions realized from savings initiatives instituted by DATA Group in 2013.

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, 2014 decreased \$1.0 million to \$14.7 million compared to \$15.7 million in the same period in 2013. As a percentage of revenues, these costs were 18.8% of revenues for the quarter ended March 31, 2014 compared to 18.9% of revenues for the same period in 2013. The decrease in SG&A expenses for the three months ended March 31, 2014 was attributable to the benefits realized from cost savings initiatives implemented in 2013. For the three months ended March 31, 2014, DATA Group incurred restructuring expenses related to headcount reductions of \$0.9 million as part of its ongoing restructuring initiatives.

Adjusted EBITDA

For the quarter ended March 31, 2014, Adjusted EBITDA was \$5.4 million, or 7.0% of revenues. Adjusted EBITDA for the quarter ended March 31, 2014 decreased \$1.9 million or 26.4% 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 as a result of its restructuring initiatives. 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, decreased from 8.9% of revenues in 2013 to 7.0% of revenues in 2014.

Interest Expense

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"), certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was \$1.5 million for the three months ended March 31, 2014 compared to \$1.6 million for the same period in 2013.

Income Taxes

DATA Group reported income before income taxes of \$1.1 million and a deferred income tax expense of \$0.3 million for the three months ended March 31, 2014 compared to income before income taxes of \$1.2 million, 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. The decrease in the current income tax expense during the three months ended March 31, 2014 was due to the reduction in taxable income as the result of the use of non-capital loss carry-forwards.

Net Income

Net income for the quarter ended March 31, 2014 was largely unchanged at \$0.8 million compared to the same period in 2013. The relatively small decrease in comparable profitability for the quarter ended March 31, 2014 was due to lower gross profit as a result of lower revenues and higher restructuring expenses in 2014. The decrease in comparable profitability was partially offset by lower SG&A expense and amortization of intangibles in the first quarter of 2014.

INVESTING ACTIVITIES

Capital expenditures for the three months ended March 31, 2014 of \$0.6 million related primarily to maintenance capital expenditures. These capital expenditures were financed by cash flow from operations.

FINANCING ACTIVITIES

During the quarter ended March 31, 2014, DATA Group repaid \$2.0 million of the principal amount outstanding under its Revolving Bank Facility.

About DATA Group Ltd.

DATA Group Ltd. 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 1,670 employees working from 35 locations across Canada and the United States to accomplish this.

Additional information relating to DATA Group Ltd. is available on www.datagroup.ca, 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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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 marketing communications business, particularly in light of expected further declines in its traditional print business due to technological changes; the risk that DATA Group will not be successful in reducing its operating costs and long-term debt to the extent anticipated by DATA Group; the risk that DATA Group may not be successful in managing its organic growth; DATA Group's ability to invest in, develop and successfully market new products and services; competition from competitors supplying similar products and services; the risk that sales of DATA Group's printed business documents will decline at a greater rate than anticipated by DATA Group; 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, 2014 and 2013 means EBITDA adjusted for restructuring expenses, respectively. 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, 2014	December 31, 2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	-	478
Trade receivables	36,646	36,551
Inventories	40,518	37,585
Prepaid expenses and other current assets	3,994	3,929
Income taxes receivable	186	174
	81,344	78,717
Non-current assets		
Deferred income tax assets	2,023	1,687
Property, plant and equipment	16,562	17,266
Pension asset	1,289	2,684
Intangible assets	8,698	9,177
Goodwill	57,066	57,066
	166,982	166,597
Liabilities		
Current liabilities		
Bank overdraft	1,308	-
Current portion of Revolving bank facility	5,000	4,000
Trade payables	29,266	26,061
Provisions	2,574	2,369
Deferred revenue	8,746	10,115
	46,894	42,545
Non-current liabilities		
Provisions	1,956	2,368
Revolving bank facility	46,135	49,109
Convertible debentures	43,057	42,909
Other non-current liabilities	766	858
Pension obligations	8,382	8,102
Other post-employment benefit plans	2,688	2,631
	149,878	148,522
Equity		
Shareholders' equity		
Shares	215,336	215,336
Conversion options	516	516
Accumulated other comprehensive income	50	30
Deficit	(198,798)	(197,807)
	17,104	18,075
	166,982	166,597

CONSOLIDATED STATEMENTS OF INCOME

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

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
	\$	\$
Revenues	77,903	82,863
Cost of revenues	59,100	61,125
Gross profit	18,803	21,738
Expenses		
Selling, commissions and expenses	8,922	9,368
General and administration expenses excluding amortization of intangible assets	5,758	6,318
Restructuring expenses	865	767
Amortization of intangible assets	479	2,310
	16,024	18,763
Income before finance costs and income taxes	2,779	2,975
Finance costs		
Interest expense	1,549	1,638
Interest income	(5)	(2)
Amortization of transaction costs	139	143
	1,683	1,779
Income before income taxes	1,096	1,196
Income tax expense (recovery)		
Current	-	1,272
Deferred	300	(925)
	300	347
Net income for the period	796	849
Net income (loss) attributable to:		
Common shareholders	796	853
Non-controlling interest	-	(4)
	796	849
Basic earnings per share	0.03	0.04
Diluted earnings per share	0.03	0.04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
	\$	\$
Net income for the period	796	849
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income		
Foreign currency translation	20	1
	20	1
Items that will not be reclassified to net income		
Re-measurements of post-employment benefit obligations	(2,423)	1,332
Taxes related to post-employment adjustment above	636	(349)
	(1,787)	983
Other comprehensive (loss) income for the period, net of tax	(1,767)	984
Comprehensive (loss) income for the period	(971)	1,833
Comprehensive (loss) income attributable to:		
Common shareholders	(971)	1,837
Non-controlling interest	-	(4)
	(971)	1,833

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars, unaudited)

	Attributable to Shareholders						Total Equity \$
	Shares \$	Conversion options \$	Accumulated other comprehensive income \$	Deficit \$	Total Shareholders' Equity \$	Non- controlling interest \$	
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 income (loss) 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
Balance as at December 31, 2013	215,336	516	30	(197,807)	18,075	-	18,075
Net income for the period	-	-	-	796	796	-	796
Other comprehensive income for the period	-	-	20	(1,787)	(1,767)	-	(1,767)
Total comprehensive income for the period	-	-	20	(991)	(971)	-	(971)
Balance as at March 31, 2014	215,336	516	50	(198,798)	17,104	-	17,104

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2014 \$	For the three months ended March 31, 2013 \$
Cash provided by (used in)		
Operating activities		
Net income for the period	796	849
Adjustments to net income		
Depreciation of property, plant and equipment	1,308	1,328
Amortization of intangible assets	479	2,310
Pension expense	121	236
(Gain) loss on disposal of property, plant and equipment	(13)	57
Provisions	865	767
Amortization of transaction costs	139	143
Accretion of convertible debentures	73	73
Other non-current liabilities	(82)	(80)
Other post-employment benefit plans, net	57	50
Income tax expense	300	347
	4,043	6,080
Changes in working capital	(1,255)	2,100
Contributions made to pension plans	(869)	(759)
Provisions paid	(1,072)	(321)
Income taxes paid	(12)	(2,813)
	835	4,287
Investing activities		
Purchase of property, plant and equipment	(603)	(464)
Proceeds on disposal of property, plant and equipment	19	26
	(584)	(438)
Financing activities		
Repayment of revolving bank facility	(2,000)	(2,000)
Finance costs	(38)	(1)
Finance lease payments	(6)	-
Dividends paid	-	(1,273)
	(2,044)	(3,274)
(Decrease) in cash and cash equivalents and decrease in bank overdraft during the period	(1,793)	575
Cash and cash equivalents (bank overdraft) – beginning of period	478	(1,161)
Effects of foreign exchange on cash balances	7	3
Bank overdraft – end of period	(1,308)	(583)