Q2

DATA GROUP LTD.

Quarter Two ended June 30, 2014

WE ARE DEFINED **BY OUR VALUES**

Our success owes much to a set of corporate values which define and drive our culture.

We will be innovative, indeed visionary, in developing solutions for our customer's benefit...regardless of the technology.

We are committed to customer service and quality.

We do what we say we will do.

We are a people-oriented company committed to employment equity, safety and the environment.

We strive for market leadership and take pride in our products and services.

We encourage decision-making and initiative at all levels of our company.

We conduct our business ethically and legally.

LETTER TO SHAREHOLDERS

Dear fellow shareholders:

We continue to make progress on our Transformation Plan and remain focused on creating long-term enterprise value appreciation for our shareholders. **In the second quarter of 2014, we continued to reduce our costs, generate significant revenue from new business in the selected growth areas management has targeted and make progress on debt reduction.** At the same time, we continued to experience challenges due to the technological changes that are having an adverse effect on financial results in our industry.

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 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 half of 2014. **DATA Group has responded with a Transformation Plan that establishes clear goals, all of which aim to enhance shareholder value.** Our Transformation Plan is beginning to show results in the three key areas we have targeted; cost reduction, debt reduction and revenue stabilization. In summary:

Cost Reduction

We reduced our cost structure by $13 million in 2013 and anticipate eliminating another $20 - $25 million in 2014 and 2015, mostly through a further reduction in locations, raw material costs and the number of employees. In the second quarter of 2014 we realized modest incremental cost savings while continuing to make progress on a number of initiatives that will generate significant additional savings in the future. The cost savings we have realized since the beginning of 2013 have been offset by a reduction in revenue, changes in our product mix and pricing pressures, driven by competitive activity and the technological change described above.

Debt Reduction

We have reduced our long-term indebtedness by $8.0 million since the beginning of 2013, including a $1.5 million reduction in the second quarter of 2014, and we intend to further reduce debt going forward. At the same time, our bank overdraft increased by $2.9 million and our working capital increased by $2.6 million in second quarter of 2014 due to an increase in order volumes. We have also commenced 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 goal 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 print and digital communications

- Bundling our digital services with our print offerings to increase the value we provide to our customers and the contributions these services make to our overall revenue and profitability

Our results in the second quarter reflected progress towards this goal, with strong new business development results and overall revenue similar to last year's second quarter. During the second quarter of 2014, we generated strong revenue from new business and continued to make encouraging progress on a number of new business sales opportunities in the retail, financial services and transportation markets.

The significant changes we have made to our management and sales team in the past year have given us an aggressive focus on new business development and the talent to lead our Transformation Plan. In the second quarter we continued to make personnel changes to strengthen our sales team and to make prudent investments to expand our capabilities in the growth areas we have targeted.

Refreshed Governance

As part of our Transformation Plan, earlier this year we began recruiting to refresh our board with new directors who could assist in our progress and represent the best interests of all shareholders. After a thorough process, in June we were pleased to have four eminently qualified new board nominees, who replaced three retiring directors, join our board; Michael Blair, Rod Philips, Harinder S. Takhar and J.R. Kingsley Ward. Our four new directors join Tom Spencer (Chairman), Bill Albino and myself on our refreshed board and I look forward to working with the new team.

Conclusion

We know we have more work to do on our Transformation Plan and we are committed to successfully growing our business. We also know that the transformation we have embarked upon has taken a toll on our share price, something which causes us great concern. We are committed to delivering results that generate value to our shareholders. We will do this with a sense of urgency, while also being mindful of maintaining the operational business stability that is a precondition to maintaining our valued customer relationships. For a full description of our financial results for the second quarter and year to date 2014, please refer to our unaudited interim financial statements for the quarter ended June 30, 2014 and related management's discussion and analysis, copies of which are available at www.sedar.com or by contacting us at 905-791-3151.

I would like to conclude by thanking our investors, customers and employees for their support and encourage our shareholders to contact me directly at 905-494-4006.

August 2014

M. Suksi

Michael Suksi
President and Chief Executive Officer

DATA Group Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") of DATA Group Ltd. ("DATA Group") for the three months ended June 30, 2014 should be read in conjunction with the MD&A of DATA Group for the year ended December 31, 2013, the unaudited interim financial statements of DATA Group for the three and six months ended June 30, 2014, and the audited annual financial statements of DATA Group for the year ended December 31, 2013. These documents are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. External economic, industry and risk factors remain substantially unchanged from those described in DATA Group's 2013 annual MD&A, unless otherwise noted.

On January 1, 2014, DATA Group, the successor to DATA Group Inc., completed an internal reorganization to simplify its corporate structure and to generate ongoing cost savings. Pursuant to the internal reorganization, DATA Group Inc. amalgamated with its Canadian subsidiaries to form a new corporation called "DATA Group Ltd.". Pursuant to the amalgamation, all of the issued and outstanding shares of DATA Group Inc.'s Canadian subsidiaries were cancelled and the assets and liabilities of the amalgamating corporations became the assets and liabilities of DATA Group. Pursuant to the amalgamation, DATA Group also assumed all of the covenants and obligations of DATA Group Inc. under its outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"). No securities were issued in connection with the amalgamation and the authorized and issued share capital of DATA Group is the same as that of DATA Group Inc. immediately prior to the amalgamation becoming effective. The reorganization did not have any significant effect on the business and operations of DATA Group Inc. and its subsidiaries, which are now carried on by DATA Group and its subsidiary DATA Group (US) Corp.

All financial information in this MD&A 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.

The date of this MD&A is August 7, 2014. Additional information relating to DATA Group, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular, is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report 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 report, 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 report. 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 reducing the size of its legacy print business, reducing costs, reducing or refinancing its long-term debt and growing its digital communications business; 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; 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 report and under the heading "Risks and Uncertainties" in DATA Group's 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 report 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 report includes certain non-GAAP measures as supplementary information. When used in this report, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization. Adjusted EBITDA for the three and six months ended June 30, 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 EBITDA and Adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as indicators of DATA Group's performance. For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 below.

BUSINESS OF DATA GROUP

DATA Group 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. DATA Group derives its revenues from two sources: document management solutions, which provide its customers with a comprehensive suite of customized printed and electronic products, logistics and workflow enhancing services that help them better manage administrative elements of their business, maintain brand consistency and reduce the systemic cost of their documents and workflows; and marketing solutions, which provide an integrated set of services that enable its customers to plan, create, deploy and monitor their print and electronic marketing campaigns across multiple media channels. DATA Group has approximately 1,670 employees working from 35 locations across Canada and the United States and operates as two reporting segments. DATA East and West (which provided approximately 95% of DATA Group's total revenue for the second quarter of 2014) sells a broad range of document management services, marketing solutions and printed products directly to customers in the Canadian and United States markets. Multiple Pakfold (which provided approximately 5% of DATA Group's total revenue for the second quarter of 2014) sells forms and labels to independent brokers and resellers in the Canadian market. Sales of some of DATA Group's products are subject to seasonal fluctuations in demand. Certain elements of DATA Group's gift card and direct mail businesses and the buying patterns of certain major customers of DATA Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters.

DATA Group continues to made progress on its Transformation Plan and remains focused on creating long-term enterprise value appreciation for its shareholders. See "Outlook" below.

Sources of Revenue and Revenue Recognition Policy

DATA Group derives its revenues from two sources: document management solutions and marketing solutions. DATA Group generally negotiates sales contracts and service level agreements with its customers and generally does not use standardized contracts. DATA Group's customer agreements and terms typically include provisions consistent with industry practice, allowing it to pass on increases in the cost of paper and other raw materials used in the manufacture of its products.

DATA Group recognizes revenue from the sale of products upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs and risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are shipped to the customer. Since the majority of DATA Group's products are customized, product returns are not significant. DATA Group may provide pre-production services to its customers, however, these services do not have standalone value and there is no objective and reliable evidence of fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA Group recognizes warehousing and marketing service fees as the services are provided, when the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA Group and the costs associated with these services can be reliably measured. DATA Group occasionally provides warehousing services that are negotiated as a separate charge based on market rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing service fees are included in one overall selling price of DATA Group's custom print products, the consideration is allocated to each component based on relative selling prices.

Cost of Revenues and Expenses

DATA Group's cost of revenues consist of raw materials, manufacturing salaries and benefits, occupancy costs, lease of equipment and depreciation. DATA Group's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefit costs consist of employee salaries and health benefits at DATA Group's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DATA Group's facilities, and utilities, insurance and building maintenance. DATA Group's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related travel, corporate communications costs, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other related expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

GENERAL INFORMATION AND RESULTS OF OPERATIONS

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

For the periods ended June 30, 2014 and 2013 *(in thousands of Canadian dollars, except per share amounts, unaudited)*	**Apr. 1 to June 30, 2014 $**	**Apr. 1 to June 30, 2013 $**	**Jan. 1 to June 30, 2014 $**	**Jan. 1 to June 30, 2013 $**
Revenues	76,773	77,822	154,676	160,685
Cost of revenues	58,936	58,066	118,036	119,191
Gross profit	17,837	19,756	36,640	41,494
Selling, general and administrative expenses	14,407	15,315	29,087	31,001
Restructuring expenses	869	5,247	1,734	6,014
Amortization of intangible assets	479	2,311	958	4,621
Income (loss) before finance costs and income taxes	2,082	(3,117)	4,861	(142)
Finance costs				
Interest expense	1,539	1,635	3,088	3,273
Interest income	(4)	(6)	(9)	(8)
Amortization of transaction costs	140	147	279	290
	1,675	1,776	3,358	3,555
Income (loss) before income taxes	407	(4,893)	1,503	(3,697)
Income tax expense (recovery)				
Current	-	281	-	1,553
Deferred	153	(1,512)	453	(2,437)
	153	(1,231)	453	(884)
Net income (loss) for the period	254	(3,662)	1,050	(2,813)
Net income (loss) attributable to common shareholders	254	(3,652)	1,050	(2,799)
Basic and diluted earnings (loss) per share	0.01	(0.16)	0.04	(0.12)
Number of common shares outstanding	23,490,592	23,490,592	23,490,592	23,490,592

As at June 30, 2014 and December 31, 2013 *(in thousands of Canadian dollars, unaudited)*	**As at June 30, 2014 $**	**As at Dec. 31, 2013 $**
Current assets	80,853	78,717
Current liabilities	45,369	42,545
Total assets	165,326	166,597
Non-current liabilities	103,023	105,977
Shareholders' equity	16,934	18,075

Table 2 The following table sets out selected historical consolidated financial information and historical financial information by reporting segment for the periods noted.

For the periods ended June 30, 2014 and 2013 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**Apr. 1 to June 30, 2014 $**	**Apr. 1 to June 30, 2013 $**	**Jan. 1 to June 30, 2014 $**	**Jan. 1 to June 30, 2013 $**
Revenues				
DATA East and West	73,292	74,703	147,842	154,425
Multiple Pakfold	3,897	3,370	7,546	6,820
Intersegment	(416)	(251)	(712)	(560)
	76,773	77,822	154,676	160,685
Gross profit				
DATA East and West	17,062	19,148	35,216	40,231
Multiple Pakfold	775	608	1,424	1,263
	17,837	19,756	36,640	41,494
Gross profit, as a percentage of revenues				
DATA East and West	23.3%	25.6%	23.8%	26.1%
Multiple Pakfold	19.9%	18.0%	18.9%	18.5%
	23.2%	25.4%	23.7%	25.8%
Selling, general and administrative expenses	14,407	15,315	29,087	31,001
As a percentage of revenues	18.8%	19.7%	18.8%	19.3%
Adjusted EBITDA (see Table 3)	4,674	5,764	10,105	13,144
Adjusted EBITDA margin, as a percentage of revenues	6.1%	7.4%	6.5%	8.2%
Net income (loss) for the period	254	(3,662)	1,050	(2,813)

Table 3 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 June 30, 2014 and 2013 *(in thousands of Canadian dollars, unaudited)*	**Apr. 1 to June 30, 2014 $**	**Apr. 1 to June 30, 2013 $**	**Jan. 1 to June 30, 2014 $**	**Jan. 1 to June 30, 2013 $**
Net income (loss) for the period	254	(3,662)	1,050	(2,813)
Interest expense	1,539	1,635	3,088	3,273
Interest income	(4)	(6)	(9)	(8)
Amortization of transaction costs	140	147	279	290
Current income tax expense	-	281	-	1,553
Deferred income tax expense (recovery)	153	(1,512)	453	(2,437)
Depreciation of property, plant and equipment	1,244	1,323	2,552	2,651
Amortization of intangible assets	479	2,311	958	4,621
EBITDA	3,805	517	8,371	7,130
Restructuring expenses	869	5,247	1,734	6,014
Adjusted EBITDA	4,674	5,764	10,105	13,144

RESULTS OF OPERATIONS

Revenues

For the quarter ended June 30, 2014, DATA Group recorded revenues of $76.8 million, a decrease of $1.0 million or 1.3% compared with the same period in 2013. The decrease, before intersegment revenues, was the result of a $1.4 million decrease in the DATA East and West segment and was partially offset by a $0.5 million increase in the Multiple Pakfold segment. For the six months ended June 30, 2014, DATA Group recorded revenues of $154.7 million, a decrease of $6.0 million or 3.7% compared with the same period in 2013. The decrease, before intersegment revenues, was the result of a $6.6 million decrease in the DATA East and West segment and was partially offset by a $0.7 million increase in the Multiple Pakfold segment. A more detailed discussion of the results of operations of each of DATA Group's reporting segments is set out below.

Cost of Revenues and Gross Profit

For the quarter ended June 30, 2014, cost of revenues increased to $58.9 million from $58.1 million for the same period in 2013. Gross profit for the quarter ended June 30, 2014 was $17.8 million, which represented a decrease of $2.0 million or 9.7% from $19.8 million for the same period in 2013. The decrease in gross profit for the quarter ended June 30, 2014 was attributable to a gross profit decrease of $2.0 million in the DATA East and West segment and was partially offset by a gross profit increase of $0.2 million in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 23.2% for the quarter ended June 30, 2014 compared to 25.4% for the same period in 2013. For the six months ended June 30, 2014, cost of revenues decreased to $118.0 million from $119.2 million for the same period in 2013. Gross profit for the six months ended June 30, 2014 was $36.6 million, which represented a decrease of $4.9 million or 11.7% from $41.5 million for the same period in 2013. The decrease in gross profit for the six months ended June 30, 2014 was attributable to a gross profit decrease of $5.0 million in the DATA East and West segment and was partially offset by a gross profit increase of $0.1 million in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 23.7% for the six months ended June 30, 2014 compared to 25.8% for the same period 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 June 30, 2014 decreased $0.9 million to $14.4 million compared to $15.3 million in the same period in 2013. As a percentage of revenues, these costs were 18.8% of revenues for the quarter ended June 30, 2014 compared to 19.7% of revenues for the same period in 2013. SG&A expenses, excluding amortization of intangible assets, for the six months ended June 30, 2014 decreased $1.9 million to $29.1 million compared to $31.0 million for the same period of 2013. As a percentage of revenues, these costs were 18.8% of revenues for the six months ended June 30, 2014 compared to 19.3% of revenues for the same period in 2013. The decrease in SG&A expenses for the three and six months ended June 30, 2014 was attributable to cost saving initiatives implemented in 2013. For the three and six months ended June 30, 2014, DATA Group incurred restructuring expenses related to headcount reductions of $0.9 million and $1.7 million, respectively, as part of its ongoing restructuring initiatives. For the three and six months ended June 30, 2013, DATA Group incurred restructuring expenses related to headcount reductions and lease exit charges of $5.2 million and $6.0 million, respectively, as part of its 2013 restructuring initiatives. The restructuring initiatives included closing facilities in Brockville, Ontario and Anjou, Québec and transferring the operations of The Fulfillment Solutions Advantage Inc. from Markham, Ontario to DATA Group's existing facility in Mississauga, Ontario.

Adjusted EBITDA

For the quarter ended June 30, 2014, Adjusted EBITDA was $4.7 million, or 6.1% of revenues. Adjusted EBITDA for the quarter ended June 30, 2014 decreased $1.1 million or 18.9% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 7.4% of revenues in 2013 to 6.1% of revenues for the same period in 2014. Adjusted EBITDA for the six months ended June 30, 2014 was $10.1 million, or 6.5% of revenues. Adjusted EBITDA for the six months ended June 30, 2014 decreased $3.0 million or 23.1% from the same period in the prior year and the Adjusted EBITDA margin for the six month period, as a percentage of revenues, decreased from 8.2% of revenues in 2013 to 6.5% of revenues for the same period in 2014. The decrease in Adjusted EBITDA during the three and six months ended June 30, 2014 was due to the continued investment in DATA Group's growth strategy and a decline in revenues due to pricing concessions and changes in product mix, 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.

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 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 June 30, 2014 compared to $1.6 million for the same period in 2013, and was $3.1 million for the six months ended June 30, 2014 compared to $3.3 million for the same period in 2013.

Income Taxes

DATA Group reported income before income taxes of $0.4 million and a deferred income tax expense of $0.2 million for the three months ended June 30, 2014 compared to loss before income taxes of $4.9 million, current income tax expense of $0.3 million and a deferred income tax recovery of $1.5 million for the three months ended June 30, 2013. DATA Group reported income before income taxes of $1.5 million and a deferred income tax expense of $0.5 million for the six months ended June 30, 2014 compared to a loss before income taxes of $3.7 million, a current income tax expense of $1.6 million and a deferred income tax recovery of $2.4 million for the six months ended June 30, 2013. The decrease in the current income tax expense during the three and six months ended June 30, 2014 was due to the reduction in taxable income as the result of the use of non-capital loss carry-forwards. The increase in the deferred income tax expense during the three and six months ended June 30, 2014 was due to a change in estimates of future reversals of temporary differences.

Net Income

Net income for the three and six months ended June 30, 2014 was $0.3 million and $1.0 million, respectively, compared to a net loss of $3.7 million and $2.8 million, respectively, for same periods in 2013. The increase in comparable profitability for the three and six months ended June 30, 2014 was due to lower SG&A expense, restructuring expenses, amortization of intangibles and current income tax expense during the second quarter and first half of 2014, respectively. The increase in comparable profitability during the second quarter and first half of 2014, respectively, were partially offset by lower gross profit as a result of lower revenues and a larger deferred income tax expense during 2014.

DATA EAST AND WEST

Revenues at DATA Group's DATA East and West segment for the quarter ended June 30, 2014 decreased $1.4 million, or 1.9%, to $73.3 million from $74.7 million for the same period in the prior year. Revenues for the six months ended June 30, 2014 decreased $6.6 million or 4.3% to $147.8 million from $154.4 million for the same period in the prior year.

Revenues for the three and six months ended June 30, 2014 decreased from the same period in the prior year primarily due to orders from existing customers for print-related products and services which did not repeat in 2014, aggressive pricing by DATA Group's competitors supplying similar products and services and a change in product mix. 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.

For the quarter ended June 30, 2014, gross profit decreased $2.0 million to $17.1 million from $19.1 million for the same period in 2013. Gross profit as a percentage of revenues for the quarter ended June 30, 2014 decreased to 23.3% from 25.6% for the same period in 2013. The decrease in gross profit as a percentage of revenues for the quarter ended June 30, 2014 was due to the impact of competitive pricing and changes in product mix, offset by cost reductions realized from savings initiatives instituted by DATA Group in 2013. For the six months ended June 30, 2014, gross profit decreased $5.0 million to $35.2 million from $40.2 million in the same period of 2013. Gross profit as a percentage of revenues for the six months ended June 30, 2014 decreased to 23.8% from 26.1% for the same period in 2013. In addition, the segment continued development on its new products and services initiatives, which are expected to positively impact revenues and gross margins during the remainder of 2014.

MULTIPLE PAKFOLD

Revenues at DATA Group's Multiple Pakfold segment for the quarter ended June 30, 2014 increased $0.5 million, or 15.6%, to $3.9 million from $3.4 million from the same period in the prior year. Revenues for the six months ended June 30, 2014 increased $0.7 million or 10.6% to $7.5 million from $6.8 million for the same period in the prior year. The increase in revenues for the three and six months ended June 30, 2014 was primarily due to new business which arose as a result of the bankruptcy of a competitor.

For the quarter ended June 30, 2014, gross profit increased $0.2 million to $0.8 million from $0.6 million for the same period in 2013. Gross profit as a percentage of revenues for the quarter ended June 30, 2014 increased to 19.9% from 18.0% for the same period in 2013. For the six months ended June 30, 2014, gross profit increased $0.1 million to $1.4 million from $1.3 million for the same period of 2013. Gross profit as a percentage of revenues for the six months ended June 30, 2014 increased to 18.9% from 18.5% for the same period in 2013. The increase in gross profit as a percentage of revenues for the three and six months ended June 30, 2014 was due to higher revenues compared to the same periods in 2013 and benefits realized from cost savings initiatives instituted in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

DATA Group maintains revolving credit facilities (the "Revolving Bank Facility") with two Canadian chartered banks. The Revolving Bank Facility currently has a maximum available principal amount of $67.0 million and requires DATA Group to make principal repayments of $3.0 million on March 31 and September 30 of each year commencing on March 31, 2014, each of which will permanently reduce the maximum available principal amount under the Revolving Bank Facility by the amount of the payment. During the quarter ended March 31, 2014, DATA Group made the remaining mandatory principal payment for March 31, 2014 of $1.0 million and an early principal repayment of $1.0 million. During the quarter ended June 30, 2014, DATA Group made an additional early principal repayment of $1.5 million. The Revolving Bank Facility matures on August 31, 2015 and is secured by all of DATA Group's assets. Market and other conditions could affect certain terms of any replacement facility along with the terms of other debt instruments that DATA Group enters into from time to time. The Revolving Bank Facility contains financial covenants and restrictions which require DATA Group to at all times maintain a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA") and a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges (the "Fixed Charge Ratio"). As at June 30, 2014, DATA Group had outstanding borrowings of $50.0 million under its credit facilities and was in compliance with its facility covenants under the facilities. At June 30, 2014, all of DATA Group's indebtedness outstanding under the Revolving Bank Facility was subject to a floating interest rate of 5.26% per annum.

At June 30, 2014, DATA Group had an aggregate principal amount of $45.0 million outstanding of 6.00% Convertible Debentures. The 6.00% Convertible Debentures mature on June 30, 2017, bear interest at a rate of 6.00% per annum payable semi-annually and are convertible into common shares of DATA Group at any time at the option of the holder prior to maturity or redemption at a conversion price of $12.20 per share, being a conversion rate of approximately 81.967 shares per $1,000 principal amount of 6.00% Convertible Debentures, subject to adjustment in certain events. The principal amount of, and interest on, the 6.00% Convertible Debentures, is payable in common shares of DATA Group at the option of DATA Group and subject to applicable regulatory approval and certain other conditions. The terms of the 6.00% Convertible Debentures are described in greater detail in DATA Group's Annual Information Form for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com.

At June 30, 2014, DATA Group had outstanding cheques in excess of cash and cash equivalents of $4.2 million compared to cash and cash equivalents of $0.5 million at December 31, 2013. During the three and six months ended June 30, 2014, DATA Group used $1.5 million and $3.5 million, respectively, in cash to repay a portion of the Revolving Bank Facility outstanding. The bank overdraft of $4.2 million was primarily due to timing of cheques being issued to suppliers and the timing of the collection of trade receivables. The cash equivalents consist mainly of short-term investments, such as money market deposits. DATA Group has deposited the cash equivalents with Canadian Schedule 1 banks, from which DATA Group believes the risk of loss to be remote. In addition, under the terms of DATA Group's credit facility, at June 30, 2014 DATA Group had access to $17.0 million of available credit less letters of credit granted of $2.9 million.

In assessing DATA Group's liquidity requirements, DATA Group takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused line of credit, cash from investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing and planned restructuring activities, as well as its ongoing cash needs for its existing operations, including expenditures related to its growth strategy, payments associated with various restructurings and productivity improvement initiatives, taxes and cash required to finance currently planned expenditures. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DATA Group's products and services, which may result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions, competition from competitors supplying similar products and services, DATA Group's existing operating costs and increased costs associated with the manufacturing and distribution of products or the provision of services. DATA Group's ability to conduct its operations, including its ability to reduce its long-term debt and invest in its growth initiatives, could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

DATA Group believes that its currently projected cash flow from operations and existing cash resources will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as the result of ongoing productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance capital expenditures and interest and scheduled repayment of borrowings under its credit facilities.

Cash Flow from Operations

Changes in working capital decreased cash flow from operations by $2.6 million during the quarter ended June 30, 2014. Inventory levels decreased by $0.9 million as a result of timing of shipments of products to customers of the DATA East and West segment. The trade payables balance decreased by $3.7 million as a result of the timing of payments to suppliers for purchases during the second quarter of 2014. Deferred revenues increased by $0.8 million due to the timing of shipments during the second quarter of 2014. Changes in working capital decreased cash flow from operations by $3.8 million during the six months ended June 30, 2014. Inventory levels increased by $2.0 million as a result of the timing of shipments of products to customers of the DATA East and West segment. The trade payables balance decreased by $0.5 million as a result of the timing of payments to suppliers for purchases. Deferred revenues decreased by $0.5 million due to the timing of shipments during the first half of 2014.

Pension Funding Obligations

DATA Group maintains a defined benefit and defined contribution pension plan (the "DATA Group Pension Plan") for some of its employees. DATA Group's preliminary estimated funding obligation for the defined benefit provision of the DATA Group Pension Plan for 2014 is $1.7 million to $2.0 million. The final funding requirement for 2014 will be based on the actuarial valuation as at January 1, 2014, which will be completed within the first nine months of 2014. For further details regarding DATA Group's pension funding obligations, refer to DATA Group's MD&A for the year ended December 31, 2013.

Investing Activities

Capital expenditures for the three months ended June 30, 2014 of $0.2 million related primarily to maintenance capital expenditures, which were financed by cash flow from operations. For the six months ended June 30, 2014, DATA Group incurred capital expenditures of $0.8 million related primarily to maintenance capital expenditures, which were financed by cash flow from operations.

Financing Activities

During the three and six months ended June 30, 2014, DATA Group repaid $1.5 million and $3.5 million, respectively, of the principal amount outstanding under its Revolving Bank Facility.

NORMAL COURSE ISSUER BID

Pursuant to a Notice of Intention to Make a Normal Court Issuer Bid (the "Notice") dated May 12, 2014, DATA Group commenced a normal course issuer bid ("NCIB") to purchase up to a maximum of $4,475,640 aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the "public float" of the 6.00% Convertible Debentures outstanding as at May 1, 2014. The daily average trading volume of the 6.00% Convertible Debentures for the six calendar months preceding May 1, 2014 represents $76,113 aggregate principal amount of 6.00% Convertible Debentures. Daily purchases will be limited to $19,028 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. The 6.00% Convertible Debentures are quoted based on $100 principal amounts with all trades being made in multiples of $1,000. As of June 30, 2014, DATA Group had $45.0 million aggregate principal amount of 6.00% Convertible Debentures outstanding. Purchases under the NCIB were permitted to commence on the Toronto Stock Exchange (the "TSX") on May 15, 2014 and will terminate on the earlier of May 14, 2015, the date DATA Group completes its purchases pursuant to the Notice filed with the TSX and the date of notice by DATA Group of termination of the bid. The 6.00% Convertible Debentures purchased under the NCIB will be cancelled. There have been no previous purchases of 6.00% Convertible Debentures by DATA Group. Purchase and payment for the 6.00% Convertible Debentures will be made by DATA Group in accordance with the rules and policies of the TSX and the price that DATA Group will pay for any 6.00% Convertible Debentures acquired by it will be at the market price of the 6.00% Convertible Debentures at the time of acquisition. As at the date of this report, no 6.00% Convertible Debentures have been purchased under the NCIB. The actual number of 6.00% Convertible Debentures made by DATA Group pursuant to the NCIB and the timing of any such purchases will occur when management believes that the market price of DATA Group's 6.00% Convertible Debentures may be attractive and that the purchase of 6.00% Convertible Debentures would be an appropriate use of corporate funds in light of potential benefits to remaining shareholders.

Shareholders can obtain a copy of the Notice filed with the regulators by DATA Group, without charge, by contacting DATA Group Ltd., 9195 Torbram Road, Brampton, ON, L6S 6H2 or by calling 905-791-3151.

OUTSTANDING SHARE DATA

As at the date of this report, June 30, 2014 and December 31, 2013, there were 23,490,592 common shares of DATA Group outstanding and $45.0 million aggregate principal amount of 6.00% Convertible Debentures outstanding. The 6.00% Convertible Debentures are convertible into DATA Group common shares. See "Liquidity and Capital Resources – Liquidity" above.

CONTRACTUAL OBLIGATIONS

During the three and six months ended June 30, 2014, DATA Group entered into a property lease that will increase its lease commitments by $0.1 million per year for the next five years. See "Liquidity and Capital Resources – Liquidity" above for a description of the 6.00% Convertible Debentures.

Table 4 The following table sets out selected historical financial information for the periods noted.

Eight Quarter Results of Operations - Summary

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

	2014		2013				2012	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenues	76,773	77,903	82,147	74,129	77,822	82,863	86,915	80,144
Net (loss) income attributable to common shareholders	254	796	(22,868)	(20,164)	(3,652)	853	(41,710)	197
Basic (loss) earnings per share	0.01	0.03	(0.97)	(0.86)	(0.16)	0.04	(1.77)	0.01
Diluted (loss) earnings per share	0.01	0.03	(0.97)	(0.86)	(0.16)	0.04	(1.77)	0.01

The variations in DATA Group's quarterly revenues and net income over the eight quarters ended June 30, 2014 can be attributed to several principal factors: revenue declines in DATA Group's traditional print business due to technological change and competitive activity, DATA Group's investment in its growth strategy, restructuring and severance expenses related to DATA Group's ongoing productivity improvement and cost reduction initiatives, a gain on the settlement of a pension plan and goodwill impairment charges.

DATA Group's net income for the second quarter of 2014 included restructuring expenses of $0.9 million related to its comprehensive cost reduction program. DATA Group's net income for the second quarter of 2013 included restructuring expenses of $5.2 million related to its comprehensive cost reduction program, and costs related to its continued investment in its growth strategy.

DATA Group's net income for the first quarter of 2014 included restructuring expense of $0.9 million related to its comprehensive cost reduction program. DATA Group's net income for the first quarter of 2013 included restructuring expenses of $0.8 million related to its comprehensive costs reduction program, and costs related to its continued investment in its growth strategy.

During the fourth quarter of 2013, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing an impairment of goodwill charge of $25.0 million related to its DATA East and West cash generating unit ("CGU") and recorded restructuring expenses of $0.4 million related to its comprehensive cost reduction program. During the fourth quarter of 2012, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing an impairment of goodwill charge of $44.0 million related to its DATA East and West CGU and a $0.2 million gain on the settlement of a pension plan.

DATA Group's net income for the third quarter of 2013 included restructuring expenses of $0.6 million related to its comprehensive cost reduction program, an impairment of goodwill charge of $19.0 million related to its DATA East and West CGU. DATA Group's net income for the third quarter of 2012 included costs associated with an increased investment it its growth strategy.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

DATA Group's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of DATA Group for external purposes in accordance with IFRS.

DATA Group's management has determined that there have been no changes in the internal controls over financial reporting of DATA Group during the most recent interim reporting period that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA Group.

OUTLOOK

DATA Group continues to make progress on its Transformation Plan and remains focused on creating long-term enterprise value appreciation for its shareholders. In the second quarter of 2014, DATA Group continued to reduce its costs, generate significant revenues from new business in the selected growth areas management has targeted and make progress on debt reduction. At the same time, DATA Group continued to experience challenges due to the technological changes that are having an adverse effect on financial results in its industry.

The Transformation Plan is required because DATA Group's industry has seen wholesale changes over the last number of years, mostly due to rapid technological advances. The competitive environment in which DATA Group operates has become even more challenging as DATA Group's industry transforms to more digital forms of communications and adapts to new client demands for blended print and digital solutions. These factors adversely impacted DATA Group's financial results for 2013 and the first half of 2014. DATA Group has responded with a Transformation Plan that establishes clear goals, all of which aim to enhance shareholder value. DATA Group's Transformation Plan is beginning to show results in the three key areas it has targeted; cost reduction, debt reduction and revenue stabilization.

In 2013, DATA Group launched a comprehensive, three-year cost reduction program that resulted in $13.0 million in annualized cost savings in its first year. DATA Group expects 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 second quarter of 2014, DATA Group realized modest incremental cost savings, while continuing to make progress on a number of initiatives that DATA Group expects to generate significant additional savings in the future. The cost savings DATA Group has realized since the beginning of 2013 have been offset by a reduction in revenues, changes in product mix and pricing pressures, driven by competitive activity and the technological change described above.

DATA Group has reduced its outstanding long-term debt by $8.0 million since January 1, 2013, including a $1.5 million reduction in the second quarter of 2014. DATA Group intends to continue its focus on debt reduction during the remainder of 2014. DATA Group's bank overdraft increased by $2.9 million and its working capital increased by $2.6 million in the second quarter of 2014 due to an increase in order volumes. DATA Group has commenced a NCIB for the purchase of up to $4.5 million aggregate principal amount of 6.00% Convertible Debentures due June 30, 2017 outstanding.

DATA Group's intent in 2014 is to stabilize its revenues and position DATA Group for longer term growth. DATA Group plan to achieve this goal is based on;

- Adding new sales personnel,
- Winning market share in its traditional print business
- Investing in the key growth areas DATA Group has identified; labels, marketing print and digital communications
- Bundling DATA Group's digital services with its print offerings to increase the value DATA Group provides to its customers and the contribution theses services make to DATA Group's overall revenue and profitability

The significant changes DATA Group has to its management and sales team in the past year has resulted in an aggressive focus on new business development and the talent to lead its Transformation Plan. In the second quarter of 2014, DATA Group continued to make personnel changes to strengthen its sales team and to make prudent investments to expand its capabilities in growth areas it has targeted. During the second quarter of 2014, DATA Group generated strong revenue from new business and continued to make encouraging progress on a number of new business sales opportunities in the retail, financial services and transportation markets.

NEW ACCOUNTING POLICIES

(a) *New and amended standards adopted.*

DATA Group has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

In October 2012, the IASB issued amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and International Accounting Standards ("IAS") 27 *Separate Financial Statements* to include an exception to the consolidation requirements for investment entities as defined in the amendments issued by the IASB. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. DATA Group assessed its consolidation conclusions on January 1, 2014 and determined that the adoption of these amendments did not result in any change in the consolidation status of any of its subsidiaries.

*New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted.*IFRS 9 *Financial Instruments* was issued in November 2009 and October 2010. The issuance of IFRS 9 is the first phase of the three phase project to replace IAS 39 *Financial*

Instruments: Recognition and Measurement by improving and simplifying the reporting for financial instruments. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income (loss) indefinitely. The effective date of application for this standard has not been determined. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on DATA Group.

RISKS AND UNCERTAINTIES

An investment in the securities of DATA Group involves risks. In addition to the information contained in this report, investors should carefully consider the risks described in DATA Group's most recent Annual Information Form and other continuous disclosure filings with Canadian securities regulator filings before investing in DATA Group's securities. The risks described in this report and in the Annual Information Form are not the only ones facing DATA Group. Additional risks not currently known to DATA Group or which DATA Group currently believes are immaterial may also impair the business, results of operations, financial condition and liquidity of DATA Group.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, unaudited)	**June 30, 2014**	**December 31, 2013**
	$	**$**
Assets		
Current assets		
Cash and cash equivalents	-	478
Trade receivables (note 3)	36,971	36,551
Inventories (note 4)	39,617	37,585
Prepaid expenses and other current assets	4,217	3,929
Income taxes receivable	48	174
	80,853	78,717
Non-current assets		
Deferred income tax assets (note 14)	1,991	1,687
Property, plant and equipment	15,491	17,266
Pension asset	1,706	2,684
Intangible assets	8,219	9,177
Goodwill (note 5)	57,066	57,066
	165,326	166,597
Liabilities		
Current liabilities		
Bank overdraft	4,167	-
Current portion of Revolving bank facility (note 7)	3,500	4,000
Trade payables	25,525	26,061
Provisions (note 6)	2,599	2,369
Deferred revenue	9,578	10,115
	45,369	42,545
Non-current liabilities		
Provisions (note 6)	1,640	2,368
Revolving bank facility (note 7)	46,200	49,109
Convertible debentures (note 8)	43,206	42,909
Other non-current liabilities (note 9)	677	858
Pension obligations	8,554	8,102
Other post-employment benefit plans	2,746	2,631
	148,392	148,522
Equity		
Shareholders' equity		
Shares	215,336	215,336
Conversion options	516	516
Accumulated other comprehensive income	31	30
Deficit	(198,949)	(197,807)
	16,934	18,075
	165,326	166,597

APPROVED BY THE BOARD OF DIRECTORS

Director M. Saksi Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of Canadian dollars, except per share amounts, unaudited)	**For the three months ended June 30, 2014 $**	**For the three months ended June 30, 2013 $**
Revenues	76,773	77,822
Cost of revenues	58,936	58,066
Gross profit	17,837	19,756
Expenses		
Selling, commissions and expenses	8,797	9,073
General and administration expenses excluding amortization of intangibles assets	5,610	6,242
Restructuring expenses	869	5,247
Amortization of intangible assets	479	2,311
	15,755	22,873
Income (loss) before finance costs and income taxes	2,082	(3,117)
Finance costs		
Interest expense	1,539	1,635
Interest income	(4)	(6)
Amortization of transaction costs	140	147
	1,675	1,776
Income (loss) before income taxes	407	(4,893)
Income tax expense (recovery) (note 14)		
Current	-	281
Deferred	153	(1,512)
	153	(1,231)
Net income (loss) for the period	254	(3,662)
Net income (loss) attributable to:		
Common shareholders	254	(3,652)
Non-controlling interest	-	(10)
	254	(3,662)
Basic earnings (loss) per share (note 11)	0.01	(0.16)
Diluted earnings (loss) per share (note 11)	0.01	(0.16)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of Canadian dollars, except per share amounts, unaudited)	**For the six months ended June 30, 2014 $**	**For the six months ended June 30, 2013 $**
Revenues	154,676	160,685
Cost of revenues	118,036	119,191
Gross profit	36,640	41,494
Expenses		
Selling, commissions and expenses	17,719	18,441
General and administration expenses excluding amortization of intangibles assets	11,368	12,560
Restructuring expenses	1,734	6,014
Amortization of intangible assets	958	4,621
	31,779	41,636
Income (loss) before finance costs and income taxes	4,861	(142)
Finance costs		
Interest expense	3,088	3,273
Interest income	(9)	(8)
Amortization of transaction costs	279	290
	3,358	3,555
Income (loss) before income taxes	1,503	(3,697)
Income tax expense (recovery) (note 14)		
Current	-	1,553
Deferred	453	(2,437)
	453	(884)
Net income (loss) for the period	1,050	(2,813)
Net income (loss) attributable to:		
Common shareholders	1,050	(2,799)
Non-controlling interest	-	(14)
	1,050	(2,813)
Basic earnings (loss) per share (note 11)	0.04	(0.12)
Diluted earnings (loss) per share (note 11)	0.04	(0.12)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars, unaudited)	**For the three months ended June 30, 2014 $**	**For the three months ended June 30, 2013 $**
Net income (loss) for the period	254	(3,662)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income (loss)		
Foreign currency translation	(19)	1
	(19)	1
Items that will not be reclassified to net income (loss)		
Re-measurements of post-employment benefit obligations	(526)	3,005
Taxes on post-employment adjustment above	121	(788)
	(405)	2,217
Other comprehensive (loss) income for the period, net of tax	(424)	2,218
Comprehensive loss for the period	(170)	(1,444)
Comprehensive loss attributable to:		
Common shareholders	(170)	(1,434)
Non-controlling interest	-	(10)
	(170)	(1,444)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands of Canadian dollars, unaudited)	**For the six months ended June 30, 2014** **$**	**For the six months ended June 30, 2013** **$**
Net income (loss) for the period	1,050	(2,813)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income (loss)		
Foreign currency translation	1	2
	1	2
Items that will not be reclassified to net income (loss)		
Re-measurements of post-employment benefit obligations	(2,949)	4,337
Taxes on post-employment adjustment above	757	(1,137)
	(2,192)	3,200
Other comprehensive (loss) income for the period, net of tax	(2,191)	3,202
Comprehensive (loss) income for the period	(1,141)	389
Comprehensive (loss) income attributable to:		
Common shareholders	(1,141)	403
Non-controlling interest	-	(14)
	(1,141)	389

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars, unaudited)	Attributable to Shareholders'						
	Shares $	Conversion options $	Accumulated other comprehensive income $	Deficit $	Total Shareholders' Equity $	Non-controlling interest $	Total Equity $
Balance as at December 31, 2012	215,336	516	1	(153,875)	61,978	136	62,114
Net loss for the period	-	-	-	(2,799)	(2,799)	(14)	(2,813)
Other comprehensive income for the period	-	-	2	3,200	3,202	-	3,202
Total comprehensive income (loss) for the period	-	-	2	401	403	(14)	389
Dividends declared	-	-	-	(3,524)	(3,524)	-	(3,524)
Balance as at June 30, 2013	215,336	516	3	(156,998)	58,857	122	58,979
Balance as at December 31, 2013	215,336	516	30	(197,807)	18,075	-	18,075
Net income for the period	-	-	-	1,050	1,050	-	1,050
Other comprehensive (loss) income for the period	-	-	1	(2,192)	(2,191)	-	(2,191)
Total comprehensive (loss) income for the period	-	-	1	(1,142)	(1,141)	-	(1,141)
Balance as at June 30, 2014	215,336	516	31	(198,949)	16,934	-	16,934

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)	**For the three months ended June 30, 2014 $**	**For the three months ended June 30, 2013 $**
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	254	(3,662)
Adjustments to net income (loss)		
Depreciation of property, plant and equipment	1,244	1,323
Amortization of intangible assets	479	2,311
Pension expense	120	236
Loss on disposal of property, plant and equipment	3	65
Provisions (note 6)	869	5,247
Amortization of transaction costs	140	147
Accretion of convertible debentures	74	74
Other non-current liabilities	(79)	(95)
Other post-employment benefit plans, net	58	45
Income tax expense (recovery)	153	(1,231)
	3,315	4,460
Changes in working capital (note 10)	(2,561)	882
Contributions made to pension plans	(891)	(782)
Provisions paid (note 6)	(1,160)	(716)
Income taxes refunds (paid)	138	(1,073)
	(1,159)	2,771
Investing activities		
Purchase of property, plant and equipment	(191)	(343)
Proceeds on disposal of property, plant and equipment	2	75
	(189)	(268)
Financing activities		
Repayment of revolving bank facility	(1,500)	(500)
Finance costs	-	(11)
Finance lease payments	(6)	(3)
Dividends paid	-	(1,762)
	(1,506)	(2,276)
(Increase) decrease in bank overdraft during the period	(2,854)	227
Bank overdraft – beginning of period	(1,308)	(583)
Effects of foreign exchange on cash balances	(5)	2
Bank overdraft – end of period	(4,167)	(354)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)	**For the six months ended June 30, 2014 $**	**For the six months ended June 30, 2013 $**
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	1,050	(2,813)
Adjustments to net income (loss)		
Depreciation of property, plant and equipment	2,552	2,651
Amortization of intangible assets	958	4,621
Pension expense	241	472
(Gain) loss on disposal of property, plant and equipment	(10)	122
Provisions (note 6)	1,734	6,014
Amortization of transaction costs	279	290
Accretion of convertible debentures	147	147
Other non-current liabilities	(161)	(175)
Other post-employment benefit plans, net	115	95
Income tax expense (recovery)	453	(884)
	7,358	10,540
Changes in working capital (note 10)	(3,816)	2,982
Contributions made to pension plans	(1,760)	(1,541)
Provisions paid (note 6)	(2,232)	(1,037)
Income taxes refunds (paid)	126	(3,886)
	(324)	7,058
Investing activities		
Purchase of property, plant and equipment	(794)	(807)
Proceeds on disposal of property, plant and equipment	21	101
	(773)	(706)
Financing activities		
Repayment of revolving bank facility	(3,500)	(2,500)
Finance costs	(38)	(12)
Finance lease payments	(12)	(3)
Dividends paid	-	(3,035)
	(3,550)	(5,550)
(Increase) decrease in bank overdraft during the period	(4,647)	802
Bank overdraft – beginning of period	478	(1,161)
Effects of foreign exchange on cash balances	2	5
Bank overdraft – end of period	(4,167)	(354)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Notes to The Condensed Interim Consolidated Financial Statements
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1. GENERAL INFORMATION

On January 1, 2014, DATA Group Ltd. ("DATA Group"), the successor to DATA Group Inc., completed an internal reorganization to simplify its corporate structure and to generate ongoing cost savings. Pursuant to the internal reorganization, DATA Group Inc. amalgamated with its Canadian subsidiaries to form a new corporation called "DATA Group Ltd.". Pursuant to the amalgamation, all of the issued and outstanding shares of DATA Group Inc.'s Canadian subsidiaries were cancelled and the assets and liabilities of the amalgamating corporations became the assets and liabilities of DATA Group. Pursuant to the amalgamation, DATA Group also assumed all of the covenants and obligations of DATA Group Inc. under its outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"). No securities were issued in connection with the amalgamation and the authorized and issued share capital of DATA Group is the same as that of DATA Group Inc. immediately prior to the amalgamation becoming effective. The reorganization did not have any significant effect on the business and operations of DATA Group Inc. and its subsidiaries, which are now carried on by DATA Group and its subsidiary DATA Group (US) Corp.

The common shares of DATA Group are listed on the Toronto Stock Exchange ("TSX") under the symbol "DGI". The 6.00% Convertible Debentures are listed on the TSX under the symbol "DGI.DB.A". The head and registered offices of DATA Group are located at 9195 Torbram Road, Brampton, Ontario, Canada L6S 6H2.

DATA Group 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. DATA Group derives its revenues from two sources: document management solutions, which provide its customers with a comprehensive suite of customized printed and electronic products, logistics and workflow enhancing services that help them better manage administrative elements of their business, maintain brand consistency and reduce the systemic cost of their documents and workflows; and marketing solutions, which provide an integrated set of services that enable its customers to plan, create, deploy and monitor their print and electronic marketing campaigns across multiple media channels. DATA Group operates in the following reporting segments:

a. DATA East and West - sells a broad range of document management services, marketing solutions and printed products directly to customers in the Canadian and United States markets; and

b. Multiple Pakfold - sells forms and labels to independent brokers/resellers in the Canadian market.

Sales of some of DATA Group's products are subject to seasonal fluctuations in demand. Certain elements of DATA Group's gift card and direct mail businesses as well as the buying patterns of certain major customers of DATA Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters.

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2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

DATA Group prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial reports, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in DATA Group's consolidated financial statements for the year ended December 31, 2013, except for any new accounting pronouncements which have been adopted. Where applicable, DATA Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2014, as issued and outstanding as of August 7, 2014, the date the Board of Directors approved these financial statements. Any subsequent changes to IFRS that are given effect in DATA Group's annual consolidated financial statements for the year ending December 31, 2014 could result in restatement of these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DATA Group's consolidated annual financial statements for the year ended December 31, 2013 which have been prepared in accordance with IFRS, as issued by the IASB.

CHANGE IN ACCOUNTING POLICIES

(i) New and amended standards adopted

DATA Group has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

In October 2012, the IASB issued amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* to include an exception to the consolidation requirements for investment entities as defined in the amendments issued by the IASB. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. DATA Group assessed its consolidation conclusions on January 1, 2014 and determined that the adoption of these amendments did not result in any change in the consolidation status of any of its subsidiaries.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted

IFRS 9 *Financial Instruments* was issued in November 2009 and October 2010. The issuance of IFRS 9 is the first phase of the three phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement* by improving and simplifying the reporting for financial instruments. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments

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are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income (loss) indefinitely. The effective date of application for this standard has not been determined. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on DATA Group.

3. TRADE RECEIVABLES

	June 30, 2014 $	December 31, 2013 $
Trade receivables	37,595	37,188
Provision for doubtful accounts	(624)	(637)
	36,971	36,551

Trade receivables are non-interest bearing with settlement terms of generally 0 to 90 days.

4. INVENTORIES

	June 30, 2014 $	December 31, 2013 $
Raw materials	6,264	5,856
Work-in-progress	3,472	3,038
Finished goods	29,881	28,691
	39,617	37,585

Raw materials and finished goods inventory amounts are net of obsolescence reserves of $1,488 and (2013 – $1,602). The cost of inventories recognized as an expense within cost of revenues for the three months ended June 30, 2014 was $56,833 (2013 – $55,027) and for the six months ended June 30, 2014 was $113,236 (2013 – $112,884).

5. GOODWILL

	June 30, 2014 $	December 31, 2013 $
Balance - Beginning of period	57,066	101,066
Impairment of goodwill	-	(44,000)
Balance - End of period	57,066	57,066

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	June 30, 2014 $	December 31, 2013 $
Cost	160,725	160,725
Accumulated impairment losses	(103,659)	(103,659)
Net carrying value	57,066	57,066

6. PROVISIONS

	Restructuring $	Onerous contracts $	Total $
Balance - Beginning of period	1,708	2,822	4,530
Charge during the three month period	869	-	869
Utilized during the three month period	(918)	(242)	(1,160)
Balance - End of period	1,659	2,580	4,239
Less: Current portion of provisions	(1,637)	(962)	(2,599)
As at June 30, 2014	22	1,618	1,640

	Restructuring $	Onerous contracts $	Total $
Balance - Beginning of period	1,600	3,137	4,737
Charge during the six month period	1,734	-	1,734
Utilized during the six month period	(1,675)	(557)	(2,232)
Balance - End of period	1,659	2,580	4,239
Less: Current portion of provisions	(1,637)	(962)	(2,599)
As at June 30, 2014	22	1,618	1,640

	Restructuring $	Onerous contracts $	Total $
Balance - Beginning of year	106	1,069	1,175
Charge during the year	4,364	2,670	7,034
Utilized during the year	(2,870)	(602)	(3,472)
Balance - End of year	1,600	3,137	4,737
Less: Current portion of provisions	(1,334)	(1,035)	(2,369)
As at December 31, 2013	266	2,102	2,368

Restructuring

During the three and six months ended June 30, 2014, DATA Group continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. These initiatives resulted in a $869 (2013 – $1,684) charge during the three months ended June 30, 2014 and a $1,734 (2013 – $2,451) charge during the six months ended June 30, 2014 to restructuring expenses due to headcount reductions in the consolidated statement of income (loss) and comprehensive (loss) income.

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For the three months ended June 30, 2014, cash payments of $918 (2013 – $665) and for the six months ended June 30, 2014, cash payments of $1,675 (2013 – $938) were made to former employees for severances and for other restructuring costs.

Onerous contracts

During the year ended December 31, 2013, DATA Group closed its Anjou, Québec warehouse. A lease exit charge of $1,441, representing the liability, at present value, for remaining lease costs under the lease agreement and the building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2016.

During the year ended December 31, 2013, DATA Group closed its Brockville, Ontario facility. A lease exit charge of $1,229, representing the liability, at present value, for remaining lease costs under the lease agreement and the building maintenance costs of $1,877 and net of sublease income of $648, was recorded and is amortized over the remaining term of the lease, expiring in 2017.

During the year ended December 31, 2006, DATA Group assumed a lease agreement for its Drummondville, Québec facility with rent payments that exceeded the fair market value for rent and as a result DATA Group recorded an unfavourable lease obligation. The monthly rent payments for this lease are allocated between the unfavourable lease obligation and a reduction in rent expense over the lease term, expiring in 2016.

During the year ended December 31, 2009, DATA Group sublet its Dorval, Québec facility for the remainder of the term of the lease agreement. A lease exit charge of $866, representing the liability, at present value for remaining lease costs under the lease agreement of $2,166 and net of sublease income of $1,300, was recorded in 2009 and is amortized over the term of the lease, expiring in 2021.

7. REVOLVING BANK FACILITY

	June 30, 2014 $	December 31, 2013 $
5.22% bankers' acceptances, maturing January 27, 2014	-	52,000
5.25% bankers' acceptances, maturing July 31, 2014	49,000	-
Floating rate debt	1,000	1,500
Revolving bank facility	50,000	53,500
Unamortized transaction costs	(300)	(391)
	49,700	53,109
Less: Current portion of Revolving bank facility	(3,500)	(4,000)
	46,200	49,109

DATA Group's maintains revolving credit facilities (the "Revolving Bank Facility") with two Canadian chartered banks. The Revolving Bank Facility currently has a maximum principal amount of $67,000 (2013 – $70,000) and requires DATA Group to make principal repayments of $3,000 on March 31 and September 30 of each year commencing on March 31, 2014, each of which will permanently reduce the maximum available principal amount under the Revolving Bank Facility by the amount of the payment. During the quarter ended March 31, 2014, DATA Group made the remaining mandatory principal payment for March 31, 2014 of $1,000 and an early principal repayment of $1,000. During the quarter ended June 30, 2014, DATA made an additional early principal repayment of $1,500. The Revolving Bank Facility matures on August 31, 2015 and is secured by all of DATA Group's assets. Under the terms of DATA Group's credit facility, at June 30, 2014 DATA Group had access to $17,000 of available credit less letters of credit granted of $2,875. A portion of the credit facilities are subject to bankers' acceptance fees over the applicable banker's acceptance rates. Maturing bankers' acceptances are typically rolled into new bankers' acceptances. The floating rate debt is an advance that is subject to interest at the Canadian prime rate plus an applicable margin. At June 30, 2014, all of DATA Group's indebtedness outstanding under the credit facilities was subject to a floating interest rate of 5.26% per annum.

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The Revolving Bank Facility contains financial covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. DATA Group is required to at all times maintain a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA") as defined in the Revolving Bank Facility agreement. The maximum ratio allowed for a 12-month trailing period is 2.50. As at June 30, 2014, this ratio was calculated at 2.22 (2013 – 2.08). DATA Group is also required to at all times maintain a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges. The minimum ratio allowed for a 12-month trailing period is 1.00. As at June 30, 2014, this ratio was calculated at 1.92 (2013 – 2.14).

8. CONVERTIBLE DEBENTURES

	June 30, 2014 $	December 31, 2013 $
6.00% convertible debentures, maturing June 30, 2017, interest payable in June and December, convertible at 81.967 common shares per $1,000 of debenture	44,105	43,958
Unamortized transaction costs	(899)	(1,049)
	43,206	42,909

On January 1, 2014, DATA Group became the successor debtor and assumed all the covenants and obligations in respect of the $45,000 aggregate principal amount of the 6.00% Convertible Debentures issued on April 27, 2010. The 6.00% Convertible Debentures with an aggregate principal amount of $45,000 bear interest at a rate of 6.00% per annum payable semi-annually, in arrears, on June 30 and December 31 in each year commencing on December 31, 2010. The 6.00% Convertible Debentures mature on June 30, 2017 and are convertible into common shares of DATA Group ("Shares") at the option of the holder prior to maturity or redemption at a conversion price of $12.20 per Share, subject to adjustment in certain events described in greater detail in DATA Group's short form prospectus. The 6.00% Convertible Debentures could not be redeemed before June 30, 2013.

On or after June 30, 2013 and prior to June 30, 2015, the 6.00% Convertible Debentures may be redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the Shares (being the volume-weighted average trading price of the Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date) is at least 125% of the conversion price of the 6.00% Convertible Debentures. On or after June 30, 2015, the 6.00% Convertible Debentures may be redeemed by

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DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or at maturity, DATA Group may, at its option, subject to regulatory approval and certain other conditions, elect to satisfy its obligation to pay the applicable redemption price for the principal amount of the 6.00% Convertible Debentures by issuing and delivering that number of Shares obtained by dividing the aggregate redemption price of the debentures to be redeemed, or the principal amount of outstanding debentures which have matured, by 95% of the current market price of the Shares on the date fixed for redemption or the maturity date.

Interest on the 6.00% Convertible Debentures may, at the option of DATA Group, be paid in Shares, subject to regulatory approval and certain other conditions.

DATA Group capitalized transaction costs of $2,266 related to this issuance and amortization of these costs is recognized over the term of the 6.00% Convertible Debentures.

Normal Course Issuer Bid

Pursuant to a Notice of Intention to Make a Normal Court Issuer Bid (the “Notice”) dated May 12, 2014, DATA Group commenced a normal course issuer bid (“NCIB”) to purchase up to a maximum of $4,476 aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the “public float” of the 6.00% Convertible Debentures outstanding as at May 1, 2014. The daily average trading volume of the 6.00% Convertible Debentures for the six calendar months preceding May 1, 2014 represents $76 aggregate principal amount of 6.00% Convertible Debentures. Daily purchases will be limited to $19 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. The 6.00% Convertible Debentures are quoted based on $100 principal amounts with all trades being made in multiples of $1,000. As of June 30, 2014, DATA Group had $45,000 aggregate principal amount of 6.00% Convertible Debentures outstanding. Purchases under the NCIB were permitted to commence on the TSX on May 15, 2014 and will terminate on the earlier of May 14, 2015, the date DATA Group completes its purchases pursuant to the Notice filed with the TSX and the date of notice by DATA Group of termination of the bid. The 6.00% Convertible Debentures purchased under the NCIB will be cancelled. There have been no previous purchases of 6.00% Convertible Debentures by DATA Group. Purchase and payment for the 6.00% Convertible Debentures will be made by DATA Group in accordance with the rules and policies of the TSX and the price that DATA Group will pay for any 6.00% Convertible Debentures acquired by it will be at the market price of the 6.00% Convertible Debentures at the time of acquisition. As at June 30, 2014, no 6.00% Convertible Debentures have been purchased under the NCIB. The actual number of 6.00% Convertible Debentures made by DATA Group pursuant to the NCIB and the timing of any such purchases will occur when management believes that the market price of DATA Group’s 6.00% Convertible Debentures may be attractive and that the purchase of 6.00% Convertible Debentures would be an appropriate use of corporate funds in light of potential benefits to remaining shareholders.

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9. OTHER NON-CURRENT LIABILITIES

	June 30, 2014 $	December 31, 2013 $
Deferred lease inducement	306	368
Lease escalation liabilities	664	748
Finance lease liabilities	77	95
	1,047	1,211
Less: Current portion of other non-current liabilities	(370)	(353)
	677	858

The current portion of other non-current liabilities is included in trade payables.

10. CHANGES IN WORKING CAPITAL

	For the three months ended June 30, 2014 $	For the three months ended June 30, 2013 $
Trade receivables	(334)	2,867
Inventories	879	1,318
Prepaid expenses and other current assets	(229)	76
Trade payables	(3,709)	(4,872)
Deferred revenue	832	1,493
	(2,561)	882

	For the six months ended June 30, 2014 $	For the six months ended June 30, 2013 $
Trade receivables	(422)	5,262
Inventories	(2,031)	(1,812)
Prepaid expenses and other current assets	(287)	(288)
Trade payables	(538)	(1,685)
Deferred revenue	(538)	1,505
	(3,816)	2,982

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11. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

	For the three months ended June 30, 2014	For the three months ended June 30, 2013
Basic earnings (loss) per share		
Net income (loss) for the period attributable to shareholders	$ 254	$ (3,652)
Weighted average shares	23,490,592	23,490,592
Basic earnings (loss) per share	$ 0.01	$ (0.16)
Diluted earnings (loss) per share	$ 0.01	$ (0.16)

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Basic earnings (loss) per share		
Net income (loss) for the period attributable to shareholders	$ 1,050	$ (2,799)
Weighted average shares	23,490,592	23,490,592
Basic earnings (loss) per share	$ 0.04	$ (0.12)
Diluted earnings (loss) per share	$ 0.04	$ (0.12)

The 6.00% Convertible Debentures in the aggregate principal amount of $45,000 and related interest expense were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

12. CONTINGENCIES

DATA Group and its subsidiaries are subject to various claims, potential claims and lawsuits. While the outcome of these matters is not determinable, the management of DATA Group does not believe that the ultimate resolution of such matters will have a material adverse impact on DATA Group's financial position.

DATA Group contributes to the Graphics Communications Supplemental Retirement and Disability Fund of Canada ("SRDF") for certain employees at its Drummondville and Granby plants in Québec. The SRDF is a negotiated contribution defined benefit multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining.

DATA Group's members in the SRDF plan are in Québec and therefore the funded status of the accrued benefit obligation for these employees are subject to pension regulations in that province. The most recent funding actuarial report in respect of the Québec members of the plan discloses a solvency deficiency and a gap between the minimum total contributions required under applicable Québec legislation and total employer contributions determined pursuant to collective agreements. There is no contractual agreement as to how the share of the deficiency is determined or funded in respect of each participating employer. These issues also affect other industry groups and are currently being negotiated by the relevant parties. DATA Group may be required to make additional ongoing contributions towards funding DATA Group's portion of the solvency deficiency. Under Québec legislation, DATA Group would be required to fund any outstanding solvency deficiency in respect of

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DATA Group employees, pensioners, vested deferred members if, in the future, DATA Group withdraws from the plan or the plan is terminated. Based on the most recent actuarial report and additional information supplied by the multi-employer plan actuary and administrator, the portion of the plan solvency deficiency in respect of DATA Group employees, pensioners, vested deferred members is estimated to be approximately $28,000 or 15.5% of the total plan solvency deficiency as of December 31, 2013. Currently, there is uncertainty and a lack of complete information to support the allocation of assets and liabilities used to determine this estimate.

13. EMPLOYEE BENEFIT PLANS

Pension expense

DATA Group's pension expense related to its defined benefit and defined contribution plans are as follows:

	For the three months ended June 30, 2014 $	For the three months ended June 30, 2013 $	For the six months ended June 30, 2014 $	For the six months ended June 30, 2013 $
Net cost recognized in general and administration expenses	73	73	146	146
Interest costs in finance expense	47	163	95	326
Defined benefit plans	120	236	241	472
Defined contribution plan	465	486	942	1,000
Defined benefit multi-employer plan	166	169	338	345

Other post-employment benefit plan expense

DATA Group's other post-employment benefit plan expense is as follows:

	For the three months ended June 30, 2014 $	For the three months ended June 30, 2013 $	For the six months ended June 30, 2014 $	For the six months ended June 30, 2013 $
Net cost recognized in general and administration expenses	61	39	121	78
Interest costs in finance expense	34	31	68	62
Other post-employment benefit plans	95	70	189	140

14. INCOME TAXES

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.11% (2013 – 26.55%) based on the tax rates in years when the temporary differences are expected to reverse. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

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As at June 30, 2014, DATA Group has non-capital loss carry-forwards of $7,800 (2012 – $8,765) primarily due to tax deductions for interest on DATA Group's convertible debentures. The non-capital loss carry-forwards expire in varying amounts from 2030 to 2034.

Reflected in the consolidated statement of financial position as follows:	**June 30, 2014 $**	**December 31, 2013 $**
Deferred tax assets	1,991	1,687

15. SEGMENTED INFORMATION

The president and chief executive officer ("CEO") of DATA Group is the chief operating decision-maker. Management has determined the reporting segments based on the information reviewed by the president and CEO for the purpose of allocating resources and assessing performance. DATA Group has two reporting segments organized on the basis of geography, channels and specialties as follows: DATA East and West and Multiple Pakfold. The reporting segments follow the same accounting policies as described in the summary of significant accounting policies, and all intersegment revenues are recorded at the exchange amount. Management evaluates the performance of each reporting segment based on income before interest, finance costs and income taxes. Corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segments. All significant external sales are to customers located in Canada. DATA Group established operations in Niles, Illinois during the fourth quarter of 2012 in order to service the U.S. operations of a large customer and the results of this operation are included in the DATA East and West segment.

	For the three months ended June 30, 2014			
	DATA East and West $	**Multiple Pakfold $**	**Intersegment $**	**Total $**
Revenues	73,292	3,897	(416)	76,773
Gross profit	17,062	775	-	17,837
Income before under noted items	4,704	286	-	4,990
Restructuring expenses				869
Unallocated corporate expenses				2,039
Income before finance costs and income taxes				2,082
Finance costs				1,675
Deferred income tax expense				153
Net income for the period				254

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	For the three months ended June 30, 2013			
	DATA East and West	Multiple Pakfold	Intersegment	Total
	$	$	$	$
Revenues	74,703	3,370	(251)	77,822
Gross profit	19,148	608	-	19,756
Income before under noted items	5,516	158	-	5,674
Restructuring expenses				5,247
Unallocated corporate expenses				3,544
Loss before finance costs and income taxes				(3,117)
Finance costs				1,776
Current income tax expense				281
Deferred income tax recovery				(1,512)
Net loss for the period				(3,662)

	For the six months ended June 30, 2014			
	DATA East and West	Multiple Pakfold	Intersegment	Total
	$	$	$	$
Revenues	147,842	7,546	(712)	154,676
Gross profit	35,216	1,424	-	36,640
Income before under noted items	10,475	447	-	10,922
Restructuring expenses				1,734
Unallocated corporate expenses				4,327
Income before finance costs and income taxes				4,861
Finance costs				3,358
Deferred income tax expense				453
Net income for the period				1,050

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	For the six months ended June 30, 2013			
	DATA East and West	**Multiple Pakfold**	**Intersegment**	**Total**
	$	**$**	**$**	**$**
Revenues	154,425	6,820	(560)	160,685
Gross profit	40,231	1,263	-	41,494
Income before under noted items	12,575	333	-	12,908
Restructuring expenses				6,014
Unallocated corporate expenses				7,036
Loss before finance costs and income taxes				(142)
Finance costs				3,555
Current income tax expense				1,553
Deferred income tax recovery				(2,437)
Net loss for the period				(2,813)

Also included in total revenues are warehousing revenues of approximately 7% (2013 – 8%) of total revenues for the three and six months ended June 30, 2014, and were included in the DATA East and West segment.

CORPORATE INFORMATION

Directors and Officers

Thomas R. Spencer
Chairman, Director

Michael Blair [1, 3]
Director

Harinder S. Takhar [1, 2]
Director

William Albino [1, 3]
Director

J.R. Kingsley Ward [2]
Director

Rod Philips [2, 3]
Director

Michael Suksi
Director and Officer
President and Chief Executive Officer

Paul O'Shea
Officer
Chief Financial Officer and Corporate Secretary

1 Member, Audit Committee (Chairperson is Michael Blair)

2 Member, Compensation Committee (Chairperson is Harinder S. Takhar)

3 Member, Corporate Governance Committee (Chairperson is William Albino)

Executive Team

Michael Suksi
President and Chief Executive Officer

Paul O'Shea
Chief Financial Officer

Judy Holcomb-Williams
Vice-President
Human Resources

Rick Barron
Vice-President, Sales and Marketing, Western Canada

Steve Wittal
Vice-President, Sales and Marketing, Eastern Canada

Alan Roberts
Senior Vice-President, Operations

Diane Schwind
Vice-President, Operations, Eastern Canada and Multiple Pakfold

Paul Dunkerley
Vice-President
Digital Marcom Services

Corporate Information

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

Corporate Office
9195 Torbram Road
Brampton, Ontario L6S 6H2
Telephone: 905-791-3151
Facsimile: 905-791-1713

Website
www.datagroup.ca

Toronto Stock Exchange Symbols
DGI and DGI.DB.A

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