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QUARTER RESULTS CONF-CALL & WEBCAST
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OPERATOR: Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to the DATA Group Income Fund First Quarter Results conference call. At this time all participants are in a listen-only mode. Following today's presentation instructions will be given for the question and answer session. If anyone should require operator assistance during the conference, please press the star key followed by the zero. As a reminder, this conference call is being recorded today Tuesday, May 9th of 2006.

I would now like to turn the conference over to Mr. David Odell, President and Chief Executive Officer. Please go ahead, sir.

DAVID ODELL (President and Chief Executive Officer, The Data Group Income Fund): Good morning. Welcome and thank you for joining us to review The Data Group Income Fund's financial results for the first quarter of '06. Paul O'Shea, our CFO, is with me and we will be discussing the Fund's performance for the three months ended March 31st, 2006.

Before we begin, I'll remind you that our remarks and our answers to your questions today may contain certain forward-looking information about future events in the Fund's performance. This information, by its nature, is subject to risks and uncertainties that may cause actual events

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and results to differ materially. Also in today's conference call, all references to The Data Group will mean the Fund together with its various business divisions and affiliated entities.

Let me start by saying that our team produced an excellent quarter with significant increases in revenue, gross profit and adjusted EBITDA versus the same quarter a year ago. These results reflect the implementation of new business wins and our continuing focus on our key initiatives and values.

In terms of highlights for the quarter, revenues were 56.2 million, an increase of 3.7 from the first quarter last year. After adjusting for the 2005 purchase accounting inventory fair value allocation, gross profit increased 1.3 million or 8.3 percent over the same period in '05. Adjusted EBITDA during the quarter was 6.9 million, an increase of 6.7 percent over '05. As a percentage of revenue, adjusted EBITDA was 12.2 percent.

For the quarter ended March 31st, 2006, the Fund generated 5.8 million or 0.388 per unit of cash available for distribution compared to six million or 0.404 per unit for the period of December 21st, '04 to March 31st, '05 of the prior year. Cash available for distribution was calculated by deducting the cash interest of 500,000, maintenance CAPEX of 400,000 and cash pension contributions in excess of expense of 200,000 from

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adjusted EBITDA of 6.9 million. For the quarter ended March 31st, 2005, the Fund declared distributions of 4.3 million or 0.290 per unit. The cash available for distribution exceeded actual distributions by 1.46 million or 0.098 per unit for the quarter ended March 31st, 2006 versus 1.32 million or 0.089 per unit for the period from December 21st, 2004 to March 31st, 2005. Our payout ratio in the quarter was 74.7 percent.

I'll now ask Paul to provide further detail on the Fund's financial performance by division.

PAUL O'SHEA (Chief Financial Officer, The Data Group Income Fund): Thanks David. At Data East and West for the quarter ended March 31, 2006, revenue increase 2.6 million or 6.2 percent to 43.7 million from 41.1 million for the same period in the prior year. The revenue increase in the quarter was due to the continued focus on higher value added document management services contracts and agreements, combined with increases in sales of lottery slips, labels and variable imaging. After adjusting for the purchase accounting inventory fair value allocation of 5.8 million in the first quarter of 2005, cost of revenues increased 6.1 percent from 29.1 million in 2005 to 30.9 million in the first quarter of 2006. As a result, gross profit increased 6.7 percent to 12.7 million in the first quarter of 2006 versus 11.9 million in 2005. The gross profit percentage improved

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to 29.2 percent in the first quarter of 2006 from 29.1 percent in 2005. This increase in gross profit is the result of the revenue increase outlined above.

Revenues for the quarter at Sun Dog remain consistent with the same period in the prior year of 7.5 million. Our major rebranding for a customer produced in the first quarter of 2005 did not repeat in 2006. However this was offset by increased demand for annual report production and commercial printing orders.

For the quarter ended March 31, 2006 cost of revenues decreased 300,000 or 6.5 percent from 5.1 million in the first quarter of 2005 to 4.8 million in 2006.

Gross profit increased by 300,000 or 11.3 percent from 2.4 million to 2.7 million in 2006. The overall increase in gross profit was attributable to lower material costs as a result of the above noted changed product mix and lower direct labour costs. As a result, gross profit as a percentage of revenue increased to 36.3 percent in the quarter ended March 31, 2006 from 32.4 percent in 2005.

At Multiple Pakfold, revenues declined 3.5 percent to 6.2 million from 6.4 million in the same period in 2005. The decrease in revenue in the quarter was due to the loss of a significant order from a third party as

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previously noted in the third quarter and annual MD&A for 2005. However the loss has been partially offset in the current quarter of 2006 by new business sold at higher margins than the lost business.

For the quarter ended March 31, 2006, cost of revenues decreased 7.9 percent from 5.5 million to 5.1 million and gross profit increased by 21.9 percent from 900,000 for the quarter ended March 31, 2005 to 1.1 million in 2006. The gross profit margin was 18.3 percent for the quarter compared to 14.5 percent for the same period in 2005. The improvement in gross profit was due to the new business having a higher contribution than the lost order. We believe it is also the result of changes made in 2005 to reduce costs and improve operating efficiencies.

Let me now touch upon our tax situation. The company has determined that in 2006 that it may be subject to a current tax liability as a result of incurring lower than forecasted interest costs on third party debt and lower capital cost allowance due to reduced capital expenditures. We estimate that based upon the Fund's existing corporate structure, current tax liabilities could result in a reduction of cash available for distribution in 2006, the amount of which will depend upon the company's future operating results. We believe that any potential tax liabilities will not impact distributions on the Fund's trust units in 2006 based upon a

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distribution of 9.656 cents per unit per month. However, in the interest of maximising cash available for distribution to unit holders we have begun exploring alternative options to reduce the tax exposure of the company including a review of the Fund's current organisational structure.

I'll now turn it back to David for some closing remarks.

DAVID ODELL: Thanks Paul. We're pleased with our quarter and I'd like to say that as we look at the business currently, we are confident that the Fund will continue to meet its objectives, providing monthly distributions at our current level of 9.656 cents per unit. On behalf of our team, I'd like to thank you for joining us today and for your interest and support and turn it back to the Operator to open it up to any questions that you may have.

OPERATOR: Thank you. Ladies and gentlemen, at this time we will begin the question and answer session. If you have a question please press the star key followed by the one on your push button phone. If you would like to decline from the polling process, please press the star key followed by the two. You will hear a three tone prompt acknowledging your selection. Your questions will be polled in the order they are received. If you are using speaker equipment, you will need to lift the handset before pressing the numbers.

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And our first question comes from Sofia Taylor with TD Newcrest.
Please go ahead.

SOFIA TAYLOR: Good morning.

DAVID ODELL: Good morning Sofia.

SOFIA TAYLOR: I have a couple of questions, I guess just starting with the top line, at Data East and West, I noticed some increases in business from lottery slips, (inaudible) in variable imaging; I'm just wondering if you could please elaborate on any trends you're seeing in those areas?

DAVID ODELL: Well it is a focus area for you, as we said, you know, numerous times, the focus here is on selling higher value added. We've had some success with a provincial lottery in expanding our business with them and that's the reason for the increase there.

SOFIA TAYLOR: Okay. In terms of the overall growth we're seeing at Data East and West, I'm wondering if you could please put that in perspective with respect to what we learned, I guess, a couple of quarters ago about the new business coming on line somewhere in the order of magnitude between 11 to 14 million.

DAVID ODELL: Yes, it's in line with our expectations, Sofia. Some of those agreements are in process and ramping up. As I said to you

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before, you know, they sometimes take longer to kick in than one might expect, both in terms of dotting the i's and crossing the t's, with respect to service level agreements with the client, and then there's taking over the current state, organising and managing it and moving it forward. So one of those that we expected to start almost 12 months ago, I think we received, Paul, our first 2 or \$300,000 in self produced orders within that agreement in the last quarter.

SOFIA TAYLOR: Great. Moving on, I guess to the taxes topic, I'm wondering, mainly I guess first about timing. When do you expect to be taxable? When do you also expect options may materialise on the restructuring front?

PAUL O'SHEA: At this time we don't know when we will be taxable as we don't know our future earnings so we can't comment on that. What we can tell you is that it will be in 2006 but keep in mind that any cash impact will not begin until 2007 due to the timing of taxing cash tax installments. We had started the process of investigating the alternatives and hopefully we'll report back to you in the next couple of quarters.

DAVID ODELL: We expect to be done before there's any real issue.

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SOFIA TAYLOR: Okay. I guess if timing is a little bit uncertain, the amounts are probably a little bit uncertain too, but is it possible to obtain some sort of range from you in terms of the taxes that could be expected?

PAUL O'SHEA: No it's not because we don't know our earnings and a lot of it is dependent on our future earnings.

SOFIA TAYLOR: Okay. Switching to my last topic just on, I guess, the gross margin, we saw the strength this quarter. I'm just sort of wondering, is it rational to think that the rising, or had we not had rising paper prices, that the gross margin may have increased even further?

DAVID ODELL: No, I wouldn't say that, Sofia. You know, our agreements, and agreements that we put in place with people, you know, they leave paper open. So sure, there can be some lag in terms of market increases and change from there, but also, as I've said before, in a number of our agreements, we have lags built into ours relative to market. So no, I wouldn't say that that would be a good assumption.

SOFIA TAYLOR: Okay, so both of the costs are passed through then?

DAVID ODELL: Yes.

SOFIA TAYLOR: Okay, great. Thank you.

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OPERATOR: Thank you. Once again ladies and gentlemen, if there are any additional questions, please press the star key followed by the one at this time. As a reminder, if you are using speaker equipment you will need to lift the handset before pressing the numbers.

Okay management, I'm showing there are no further questions. I'll turn the conference back to you for any closing comments you may have.

DAVID ODELL: All right. Well thank you for joining us everyone. We look forward to reporting our progress to you after our next quarter. Have a good day.

OPERATOR: Thank you ladies and gentlemen, that concludes today's teleconference. Once again, thank you for your participation and at this time you may disconnect.

DAVID ODELL: Thank you Operator.

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