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FOURTH QUARTER 2006 EARNINGS RESULTS
CONFERENCE CALL
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OPERATOR: Good morning ladies and gentlemen and thank you for standing by. Welcome to the DATA Group Income Fund Fourth Quarter 2006 Earnings Results Conference Call. At this time, all participants are on a listen-only mode. Following the presentation we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press that star key followed by zero for operator assistance at any time.

I'd like to remind everyone that this conference call is being recorded today, Thursday, March 8, 2007 at 11:00 a.m. Eastern Time for replay purposes.

And I would now like to turn the conference over to Mr. David Odell, President and Chief Executive Officer of DATA Group Income Fund. Mr. Odell, please go ahead.

DAVID ODELL (President and Chief Executive Officer, The DATA Group Income Fund): Thank you. Good morning everyone and thank you for joining us to review our fourth quarter results. Paul O'Shea, our CFO, is with me and will be discussing the Fund's performance for the fourth quarter of '06 and the year-to-date ended December 31st.

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

Also on today's conference call, all references to the DATA Group will mean the Fund together with its various business divisions and affiliated entities.

We enjoyed a solid quarter with increases of revenue and adjusted EBITDA due to the acquisition of Relizon Canada in the third quarter of '06. Overall, 2006 was a year of significant achievements for the Data Group, a year where we continued to fulfill our commitments to our unit holders through the completion of a major acquisition and a restructuring of a fund to maximise distributable cash.

In terms of highlights for the quarter, revenues were 108.8 million, an increase of 94.4 percent from the fourth quarter last year. The increase in revenue was attributable to the acquisition of Relizon.

Adjusted EBITDA during the quarter was 13.2 million or 12.1 percent of revenue. During the quarter, the Fund generated 8.3 million in

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distributable cash or \$0.354 per unit and declared distributions of 6.8 million or \$0.29 per unit. Our payout ratio in the quarter was 81.9 percent.

Turning now to the calendar year-to-date, revenues were 286.7 million versus 215 million in '05, an increase of 33 percent -- 3.3. Costs of revenues increased from 159.2 million in '05 to 211.6 million in '06, resulting in gross profit of 75 million compared to 55.8 in the prior year. Adjusted EBITDA was 33.1 million or 11.6 percent.

Cash available for distribution for the calendar year ended December 31st '06 was 24.5 million or \$1.326 per unit. Cash distributions were 21.4 million or 1.159 per unit. Our payout ratio for the year was 84 percent.

I would also like to remind everyone that we paid \$800,000 of distributions on August 31st '06, for which we had no earnings from the acquisition of Relizon Canada.

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

PAUL O'SHEA (Chief Financial Officer, The DATA Group Income Fund): Thanks David. David provided highlights for the quarter and for the year for the Fund. I'll provide some highlights by division and finish up with a summary of the balance sheet.

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I'll start with the DATA east and west segment. This segment includes the operations of the Relizon Canada business for the period from August 31, 2006 to December 31, 2006.

For the quarter ended December 31, 2006, revenue increased 53.2 million or 118 percent to 98.3 million and 45.1 million for the same period last year.

For the year ended December 31, 2006, revenue increased 73.5 billion or 43.7 percent to 241.8 million from 168.3 million in 2005. The increase in revenue in the quarter and for the year-to-date is due to a number of factors. The major factor, as we've mentioned previously, was the acquisition of Relizon Canada. Other factors affecting revenue continue to be increased sales of lottery slips, variable imaging, laser cut sheets that has been offset by a decline in direct mail and our traditional business forms business.

Gross profit in the quarter ended December 31, 2006 increased 11 million to 24.3 million from 13.3 million in the same period of 2005. After adjusting for purchase accounting, gross profit increased 13.5 million to 26.7 million. The gross profit as a percentage of revenue declined to 27.2 percent in the fourth quarter of 2006 from 29.4 in 2005. The declining

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gross profit percentage was due to lower margins in the Relizon Canada business.

For the year ended December 31, 2006, after adjusting for purchase accounting in both years, gross profit increased 36.1 percent to 66.9 million from 49.2 million in 2005. Gross profit as a percentage of revenue before the 2006 and 2005 purchase accounting declined to 27.7 percent from 29.2 percent in 2005. The decline in year-to-date gross profit is consistent with the factor mentioned above.

As part of the Fund's restructuring plan announced on March 1, 2007, the Fund will close three of its plants located in Hemmingford, Quebec, Orangeville, Ontario, and Medicine Hat, Alberta. These plant closures are designed to reduce excess production capacity within the DATA east and west division following the combination of the former Relizon Canada and DATA Group businesses.

Revenues at our Sundog division for the quarter ended December 31, 2006 increased 2.7 percent to 6.1 million from 5.9 million for the same period in the prior year. For the year ended December 31, 2006, revenue increased 3.2 percent to 26.3 million from 25.5 million in 2005. The increase in revenue is due to continued demand for commercial strengthening in the Alberta marketplace. For the calendar year, the

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revenue increase was due to increased annual report production and commercial print orders during the year, offset by a major customer rebranding that took place in the prior year that did not repeat in 2006.

For the quarter ended December 31, 2006, gross profit increased 10 percent to 2 million from 1.8 million in 2005. Gross profit as a percentage of revenue increased to 32.4 percent from 30.3 percent in the comparable period of 2005. For the year ended December 31, 2006, gross profit increased 600,000 or 7.4 percent to 9.2 million from 8.5 million in 2005. The overall increase in gross profit was due to reduced material costs required in the product mix, reduced spoilage levels and lower direct labour costs

Revenue in our Multiple-Pakfold division for the quarter ended December 31, 2006 declined 1.3 percent to 5.7 million from 5.8 million for the same period in 2005. For the year ended December 31, 2006, revenue declined 7.6 percent to 23.2 million from 25.1 million in 2005. The decrease in revenue in the quarter was due to the loss of third-party orders in circumstances where production for these orders was moved to the United States. The decrease for the year was due to these same factors.

For the quarter ended December 31, 2006, gross profit increased by 16.7 percent from 900,000 to 1.1 million. The gross profit margin was 18.8

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percent compared to 15.9 percent for the same period in 2005. For the year ended December 31, 2006, gross profit was flat at 3.9 million. The gross profit margin for the year was 16.9 percent compared to 15.7 percent in 2005. The improvement in gross margin percentage, despite the loss of revenue, is due to improved operating efficiencies as a result of product mix change.

In our March 1st press release we also announced that we will close our Dorval, Quebec plant in order to reduce excess production capacity within the Multiple-Pakfold division, and is designed to improve margins within this segment of the DATA Group's business.

In terms of CAPEX, we spent 1.9 million in the quarter and spent 3.6 million for the year. As we have said previously, we will continue to fund necessary maintenance capital expenditures with cash flow from operations.

Some highlights from the balance sheet as at December 31, 2006. Cash and cash equivalents were 4.8 million, total current assets were 112 million, our total assets were 397.2 million, our total current liabilities were 65.7 million, the term credit facility, future income tax and pension obligations were 106.8 million and total unit holder equity was 214.7 million.

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

DAVID ODELL: Thanks Paul. Let me start by saying that I am pleased with, very pleased with how our integration of the Relizon acquisition is going, both in terms of magnitude and against our own, our own time clock. We are ahead of schedule with our plans for this, so we're very excited about the progress we're making there. And certainly, based on that and the year we have and how we look at things now, we're confident that we'll continue to meet our objectives. And also, we're very appreciative of the support that our customers and the dedication of our employees have brought to the task that we are undertaking at this point in time.

I'd like to thank you for joining us today and turn it back to the operator to open it up to any questions that you may have.

OPERATOR: Thank you. One moment please, for the first question.

Your first question comes from Sophia Taylor of TD Newcrest. Please go ahead.

SOPHIA TAYLOR: Good morning.

DAVID ODELL: Good morning Sophia.

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SOPHIA TAYLOR: Okay, I have lots of questions. I'll start off with just a few. Starting with your SG&A, it appears – they appear to be well-controlled in the quarter, 17.1 percent of revenue; a lot lower than the 18.3 percent we saw last year. I'm just wondering, how much of this is due to the integration and how much of this is sort of due to your, just trying to be more efficient, essentially in your operations?

DAVID ODELL: It's mostly due to integration activity.

SOPHIA TAYLOR: Mostly due to integration activity?

DAVID ODELL: That's correct.

SOPHIA TAYLOR: Okay. In terms of the initial estimate, I guess the 7 million in integration synergies expected from the acquisition of Relizon Canada, are we still on track to meet that? Are we seeing some of these savings ahead of plan? Could you give us some sort of sense on where we are on that?

DAVID ODELL: Well, certainly, you know, we're ahead of schedule. The savings that we generate specifically in this calendar year will offset the costs associated with the closing of Dorval, and let me explain. Paul mentioned that earlier, but of the locations that we're closing, three are Relizon locations and the costs associated with them, you know, will go to restructuring. One of them is a DATA location, and so the cost will be

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expensed this year, so this year we expect the savings we generate within the year to offset the cost of the Dorval closing.

We are ahead of schedule and confident that we will exceed the target that we set in terms of synergies.

SOPHIA TAYLOR: Okay. And the timeline again is by the end of '08?

DAVID ODELL: That's right.

SOPHIA TAYLOR: Okay. In terms of the accruals made for the restructuring on the Relizon Canada front, we noticed a bit of an up tick on the balance sheet. I was wondering if we could obtain some commentary there please.

PAUL O'SHEA: Most of the increase was when we look at management salaries. It's not exactly on a one-to-one basis. I believe last week we said that the costs of closing the plants would be 6 to \$7 million. The balance would be for non-plant activities and they are not quite on a one-to-one basis, as we've said.

SOPHIA TAYLOR: Okay, and then last question, and then I'll line up again, but in terms of the accounting for the restructuring costs that will play out over the next year and a bit, with respect to just the Relizon Canada business, can you please remind us how, I suppose digital cash is

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not going to be impacted in the accruals – I hope I'm not (inaudible) all, but that the accrual essentially will take up most of that?

PAUL O'SHEA: Correct. It will drop down the restructuring provision that we have on the balance sheet and it does not impact net income or the distributable cash table.

SOPHIA TAYLOR: Okay, thank you.

PAUL O'SHEA: On the Relizon, anything related to Relizon on the data side, of course, it will.

SOPHIA TAYLOR: Right, and then to that, the extent that those costs flow through the P&L and distributable cash, it is expected – your expectation is that the cost savings will offset most of that?

PAUL O'SHEA: Correct.

SOPHIA TAYLOR: Okay. Okay, I'll line up again. Thank you.

DAVID ODELL: Thank you.

OPERATOR: Your next question comes from James Leung of Mackenzie Financials. Please go ahead.

JAMES LEUNG: Good morning, just a question, just trying to get a sense of the gift card business that is part of the Relizon acquisition. Can you sort of tell us what proportion of the acquired business is in this particular segment?

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DAVID ODELL: James, it's reasonably small and I can't give you any precise number off the top.

JAMES LEUNG: When you say small, would it be something smaller than let's say 10 percent or just the single digits or around there?

PAUL O'SHEA: It would be a single digit.

DAVID ODELL: Single digit.

JAMES LEUNG: And, what proportion – and you say that there's some seasonality and that essentially is in this particular segment of the business?

PAUL O'SHEA: Yes, in the fourth quarter, because, you know, we're still becoming familiar with the business, we've noticed that the gift card business, and there's a major customer that seems to be heavier towards the fourth quarter.

DAVID ODELL: You know, I guess, there's sort of, to explain, there's gift card business that is a continuing kind of process, you know. Examples would be gift cards and so on you see in service stations, for instance. However, when you look at other retailers, they, you know, department stores, drugs to some extent and so on, it's seasonal because its big activity surrounds gift giving season.

JAMES LEUNG: Okay.

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DAVID ODELL: Christmas is the big business deal.

JAMES LEUNG: When you say that there's a moderate amount of seasonality, you're not talking – I've been talking about the Relizon overall. Now, you're not talking about the really, you know, 50 percent of the year with...

DAVID ODELL: No, no. We're talking about gift cards.

PAUL O'SHEA: Yes, and a major customer. We're talking about a five, about a five percent variance, we believe. Again, we're becoming familiar with the business.

DAVID ODELL: I mean if you were to, you know, sort of look at it, and it gets increasingly difficult to do so James as we've integrated things, but if you look at Relizon and DATA, you know, before and after, Relizon would have had more children's seasonality towards the fourth quarter than DATA did. The reason for that is that we have a bigger direct mail business there, and it is quite, you know, it has its seasonality too, you know, relative to peaks and valleys. You know, there's not a lot of direct mail activity to homes in summer, by way of contrast.

JAMES LEUNG: But, when you try to just focus – when we're trying to focus on just the gift card itself, wouldn't it be fair to say that, you know, this is essentially, you know, where most of the sales of the gift cards

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would be in the fourth quarter; therefore, just even that would skew the seasonality somewhat when you turn moderate seasonality on the overall business. The gift card itself is even...

DAVID ODELL: It's order of magnitude. You know, at single digits and given that we've combined the two businesses now, you know, it's not...

JAMES LEUNG: Yes.

DAVID ODELL: Clear, it's not going to have a big seasonal impact overall.

PAUL O'SHEA: We're looking at single digit seasonality.

JAMES LEUNG: Sure, sure. I appreciate that.

PAUL O'SHEA: That's the point we're trying to make.

JAMES LEUNG: Yes, got it. Just my next question and it is probably my – it's about the pension contribution over expense. The item that was in the, it was discussed in the income statement. Now, how – is this just sort of more of a one-time adjustment or is this more – how should we sort of look at it on an annual basis?

PAUL O'SHEA: When we looked at the contributions to the Relizon defined benefit plan, we decided in the fourth quarter to continue those

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contributions. So that next year there are no contributions for that plan, so we'll be flat to negative overall for our pension contributions next year.

JAMES LEUNG: So, you're saying that you should be back to the more normal DATA Group only type of contribution?

PAUL O'SHEA: Exactly. And that's the strategy that we took in consultation with our advisors.

JAMES LEUNG: And just finally on the CAPEX. Can you sort of guide us a little bit as to why the fourth quarter was somewhat higher than the previous three quarters? Is it due to the acquisition or is there some seasonality to that as well?

DAVID ODELL: No, I mean, you know, in this business, I daresay most, you know, it's not like it happens, you know, take your plan for the year and divide by four and have it happen in each quarter. That's not the way it works. In this specific instance, the higher number in the fourth quarter was the result of a press that we put in at Sundog.

JAMES LEUNG: Thanks, that's it for me.

DAVID ODELL: Okay, thanks.

OPERATOR: The next question is a follow up question from Sophia Taylor of TD Newcrest. Please go ahead.

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SOPHIA TAYLOR: Following up on the accounting type question regarding the accrual made for Relizon Canada. I'm clear on the distributable cash impact. I'm wondering if you could walk us through the statement of cash flows though. Presumably we will see a significant impact or use of cash once the restructuring charges go through. Is there a material offset to that expected?

PAUL O'SHEA: I'm not sure I follow the question. Yes, we will see it flow through, but I mean the draw down will be against the restructuring accrual.

SOPHIA TAYLOR: But in terms of cash flows?

PAUL O'SHEA: Right. It'll go through the – through the (inaudible) changes. Well, right now we have it as current, so it would go through the changes in non cash items, but as we move through the piece, we'll move some of this to – out of current into long term.

SOPHIA TAYLOR: Okay, so on the statement of cash flow, so this is a use of cash?

PAUL O'SHEA: Yes.

SOPHIA TAYLOR: In the order of magnitude that would offset the accrual?

PAUL O'SHEA: Correct.

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SOPHIA TAYLOR: So, as a use of cash, is there some sort of anticipated source of cash that may offset that on the statement of cash flows?

PAUL O'SHEA: Oh yes, the sale of the building.

SOPHIA TAYLOR: Okay, and is that offset pretty much a wash, expected to be a wash?

PAUL O'SHEA: I can't comment at this time.

SOPHIA TAYLOR: Okay.

PAUL O'SHEA: It'll depend on the price, you know, the value of the property.

SOPHIA TAYLOR: Okay.

PAUL O'SHEA: That's right.

SOPHIA TAYLOR: Fair enough. Just in terms of then, moving along to amortisation, this was one of the areas we had actually underestimated in terms of the amount of amortisation you add back to get to your EBITDA. Just looking to see that that 2.2 million amortisation of assets in the quarter is a sustainable run rate?

PAUL O'SHEA: Yes, it should be.

SOPHIA TAYLOR: Okay.

PAUL O'SHEA: It is.

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SOPHIA TAYLOR: Great, last question from me is just with respect to the trust tax in 2011. Just wondering what types of strategies you may be considering at this point over the longer term?

DAVID ODELL: Well in our view, you know, it's a little premature to get definitive about that. You know, we're – we want to see how things play out and how the execution actually comes down. That's not to say, Sophia, that we haven't given and begun to think about various alternatives, you know, and those alternatives I think are quite clear.

You know, one is a conversion to being a pure dividend paying equity and the other is a sale, and so, you know, we have those alternatives in mind, and we will examine those as we go forward on the basis of, you know, what's best for all of our unit holders.

As you know, there's lots of private equity running, floating around looking for a home, but they are all looking to secure opportunities, (a) at significant discounts for one, and the second thing is, and I think just about everybody on this call is aware that many people have seen us, do see us as being undervalued before taking into account what we can achieve by harvesting the synergies that we've talked about this morning and at other times. So those things are important in considering value as far as we're concerned.

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SOPHIA TAYLOR: That's great, and that's it for me. Thank you.

DAVID ODELL: Thank you Sophia.

OPERATOR: Gentlemen, there are not further questions at this time. Please continue.

DAVID ODELL: Okay, thanks again for joining us. We look forward to continuing to report on our progress to you over the course of this year. Thanks for your time. Bye bye.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. You may now disconnect your lines.

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