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XENTEL REPORTS FIRST QUARTER MARCH 31, 2009 RESULTS

Calgary, Alberta, May 29, 2009: Xentel DM Incorporated (TSX Venture Exchange: XDM) a North American specialty entertainment and relationship marketing company, today reported its financial results for the three months ended March 31, 2009.

The results for the first quarter 2009 were net earnings of \$573 thousand compared to net earnings of \$285 thousand for the first quarter 2008. Revenues amounted to \$23,885 thousand compared to \$24,434 thousand for the same period in 2008. EBITDA for the three months ended March 31, 2009 was \$1,239 thousand compared to \$1,290 for the same period in 2008.

Table with 3 columns: Three months ended March 31, 2009, 2008. Rows include Revenue, Gross margin, Net earnings, EBITDA, EPS, fully diluted, and EBITDA, per share, fully diluted.

*EBITDA – Net Earnings before income taxes, interest, depreciation and amortization. Since Gross Margin, EBITDA and diluted EBITDA per share have no standardized GAAP meaning, the comparability of these amounts to other enterprises may not be possible if the basis of calculation of differs.

EBITDA was essentially the same for the first quarter 2009 and 2008 in face of declining revenues quarter over quarter as a result of restructuring the labour utilization model, continuing to monitor and control costs and refocusing emphasis on data development. Additionally, the elimination of long term interest with the repayment of the subordinated debt in 2008 and the reduction of amortization relating to the fully amortized intangible assets from the 2003 acquisition contributed to the improved earnings quarter over quarter 2009 to 2008.

David Winograd, President of the US operations stated, “The labour restructuring program is having a very positive impact on earnings. That combined with the improved balance sheet resulting from the elimination of interest on the payment of the subordinated debt and the reduction in amortization on fully amortized intangibles, bodes well for the future.”

“Improved earnings are to be expected as a result of the debt reduction and the revenue expense scaling, but the market remains challenging and the entire Xentel team must continue to focus on improving margins”, said Michael Platz, Chairman.

Xentel DM Incorporated is one of North America’s leading relationship-marketing concerns and producers of cause related entertainment events. The Company’s success is attributable to proprietary sales tools including technologically advanced teleservices and sophisticated customer databases. Xentel DM Incorporated has over 400 clients and 1,900 employees in over 25 offices across North America.

Certain statements in this press release may constitute “forward looking statements” and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any performance or achievement expressed or implied by such “forward looking statements”.

The TSX Venture Exchange has neither approved nor disapproved the contents of this announcement.

Xentel DM Incorporated
Consolidated Balance Sheets
('000s)

	March 31, 2009 (unaudited)	March 31, 2008 (unaudited)	December 31, 2008 (audited)
Assets			
Current assets			
Cash and cash equivalents	\$ 1,346	\$ 114	\$ 1,365
Accounts receivable, net of allowances	7,146	7,158	6,910
Inventory	585	628	617
Prepaid expenses	1,229	973	1,235
Due from related party	1,608	-	1,589
Future income taxes	1,203	2,341	1,568
	<u>13,117</u>	<u>11,214</u>	<u>13,284</u>
Due from related party	-	1,327	-
Equipment	2,909	3,208	3,050
Future income taxes	3,120	3,233	3,089
Other intangible assets	62	938	64
Goodwill	1,253	1,034	1,239
	<u>\$ 20,461</u>	<u>\$ 20,954</u>	<u>\$ 20,726</u>
	=====	=====	=====
Liabilities			
Current liabilities			
Bank indebtedness	\$ 608	\$ 2,181	\$ 86
Accounts payable and accrued liabilities	5,316	5,132	5,877
Income taxes payable	89	88	275
Current portion of long term liabilities	90	1,321	141
Future income taxes	710	662	715
Due to related party	2,661	-	3,244
	<u>9,474</u>	<u>9,384</u>	<u>10,338</u>
Long term debt	4	11	6
Future income taxes	38	1,060	38
Deferred tenant inducement	202	285	223
Due to related party	-	2,603	-
	<u>9,718</u>	<u>13,343</u>	<u>10,605</u>
Shareholders' equity			
Share capital	8,827	9,280	8,925
Warrants	-	205	-
Contributed surplus	628	79	558
Accumulated other comprehensive income	(2,312)	(3,747)	(2,389)
Retained earnings	3,600	1,794	3,027
	<u>10,743</u>	<u>7,611</u>	<u>10,121</u>
	<u>\$ 20,461</u>	<u>\$ 20,954</u>	<u>\$ 20,726</u>
	=====	=====	=====

Xentel DM Incorporated
Consolidated Statements of Operations and Retained Earnings
For the three months ended March 31

	2009	2008
('000s, except per share amounts)	(unaudited)	(unaudited- restated)
Revenue	\$ 23,885	\$ 24,434
Cost of revenue	18,514	18,753
	<hr/>	<hr/>
Gross margin	5,371	5,681
	<hr/>	<hr/>
Corporate expenses		
Branch overhead and corporate administration	4,132	4,391
Interest expense	33	105
Amortization of equipment	250	291
Amortization of intangible assets	2	370
	<hr/>	<hr/>
	4,417	5,157
	<hr/>	<hr/>
Earnings before undernoted items	954	524
Other items		
Expenses relating to the 2003 privatization lawsuit	-	9
	<hr/>	<hr/>
Earnings before income taxes	954	515
	<hr/>	<hr/>
Income tax expense		
Current income tax expense	-	91
Future income tax expense	381	139
	<hr/>	<hr/>
	381	230
	<hr/>	<hr/>
Net earnings	573	285
Retained earnings, beginning of period	3,027	1,509
	<hr/>	<hr/>
Retained earnings, end of period	\$ 3,600	\$ 1,794
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted net earnings per share	\$ 0.02	\$ 0.01
	<hr/> <hr/>	<hr/> <hr/>
Basic weighted average number of shares	25,163	26,195
	<hr/> <hr/>	<hr/> <hr/>
Diluted weighted average number of shares	25,163	26,195
	<hr/> <hr/>	<hr/> <hr/>

Xentel DM Incorporated
Consolidated Statements of Contributed Surplus
For the three months ended March 31
('000s)

	2009 (unaudited)	2008 (unaudited)
Balance, beginning of period	\$ 558	\$ 79
Discount on share repurchase from stated value	70	-
Balance, end of period	\$ <u>628</u> =====	\$ <u>79</u> =====

Xentel DM Incorporated
Consolidated Statements of Comprehensive Income
For the three months ended March 31
('000s)

	2009 (unaudited)	2008 (unaudited- restated)
Net earnings for period	\$ 573	\$ 285
Foreign currency translation adjustment from self sustaining foreign operations	77	164
Comprehensive income	\$ <u>650</u> =====	\$ <u>449</u> =====

Xentel DM Incorporated
Consolidated Statements of Accumulated Other Comprehensive Income
For the three months ended March 31
('000s)

	2009 (unaudited)	2008 (unaudited- restated)
Balance, beginning of period	\$ (2,389)	\$ (3,911)
Foreign currency translation adjustment from self sustaining foreign operations	77	164
Balance, end of period	\$ <u>(2,312)</u> =====	\$ <u>(3,747)</u> =====

Xentel DM Incorporated
Consolidated Statements of Cash Flows
For the three months ended March 31
('000s)

	2009 (unaudited)	2008 (unaudited)
Cash flows from (used in) operating activities		
Net earnings for the year	\$ 573	\$ 285
Non cash transactions reflected in net earnings		
Amortization	252	661
Future income tax expense	381	139
Adjustment for non cash interest	-	61
	<u>1,206</u>	<u>1,146</u>
Net change in non cash working capital items		
Accounts receivable	(197)	(569)
Inventory	38	15
Prepaid expenses	10	(127)
Other current assets	(12)	-
Income taxes payable	(195)	22
Accounts payable and accrued liabilities	(587)	(849)
	<u>(943)</u>	<u>(1,508)</u>
Net change in non cash working capital items	263	(362)
	<u>263</u>	<u>(362)</u>
Cash flows from (used in) financing activities		
Bank indebtedness	520	851
Long term debt repaid	(692)	(115)
Redemption of share capital	(28)	-
	<u>(200)</u>	<u>736</u>
	(200)	736
Cash flows (used in) investing activities		
Investment in equipment	(90)	(467)
	<u>(90)</u>	<u>(467)</u>
	(90)	(467)
Effect of exchange rate fluctuations on cash balances		
	<u>8</u>	<u>2</u>
	8	2
Net decrease in cash and cash equivalents	(19)	(91)
Cash and cash equivalents, beginning of period	<u>1,365</u>	<u>205</u>
Cash and cash equivalents, end of period	<u>\$ 1,346</u> =====	<u>\$ 114</u> =====