



For Immediate Release

DATA GROUP LTD. ANNOUNCES SECOND QUARTER FINANCIAL RESULTS FOR 2015

SECOND QUARTER HIGHLIGHTS

- Second quarter 2015 (“Q2”) Revenues of \$73.4 million, a decrease of 4.3% year over year
- Q2 Adjusted EBITDA of \$2.6 million, a decrease of 44.4% year over year (See Table 2 and “Non-GAAP Measures” below)
- Q2 Net Loss of \$29.7 million, including a \$26.0 million goodwill impairment charge and restructuring expenses of \$4.2 million compared to net income of \$0.3 million, including restructuring expenses of \$0.9 million in the prior comparative period
- Secured improvements to key financial covenants under the company’s senior credit facilities for the third and fourth quarters of 2015
- Guidance withdrawn for fiscal 2015 as the company continues to transition its business
- Appointment of Chief Financial Officer

Brampton, Ontario – August 10, 2015 – DATA Group Ltd. (TSX: DGI) (“DATA Group”) announced its consolidated financial results for the second quarter and the six months ended June 30, 2015.

“Our focus over the past three months has been to implement a number of strategic operational initiatives designed to make DATA Group more responsive to its customers while improving its cost structure and profitability”, said Michael G. Sifton, President and Chief Executive Officer of DATA Group.

DATA Group's management team has taken several strategic actions to improve the company's financial performance. These actions include:

- Implementation of a workforce reduction plan of more than 200, or 13%,
- Re-focused operations into “centres of excellence” at six key plants,
- Continued the shift of its product offering and mix to achieve higher average gross margins, while establishing a disciplined product management culture.

“By streamlining the organization, refocusing our plant as “centres of excellence” and consolidating production into fewer plants across the country, we can achieve significant sales and production efficiencies, while improving our already high quality product delivery. In addition, by reducing our workforce across all functions of our organization, we expect to reduce our total compensation costs by approximately \$10.0 million on an annualized basis. Most of these changes will be completed by the end of September. We expect the net benefits from these measures to be reflected in our financial results commencing in the third quarter of 2015, but primarily in the fourth quarter of 2015”, Mr. Sifton added.

Subsequent to the quarter ended June 30, 2015, DATA Group entered into a waiver and amendment agreement to its credit agreement with respect to the waiver for non-compliance with certain financial covenants as at June 30, 2015 and the amendment of certain financial covenants under its credit agreement applicable for the next two quarters as DATA Group continues to transition its business. DATA Group remains current with its interest and principal obligations under its existing credit facilities and its interest payments to convertible debenture holders. DATA Group ended the second quarter of 2015 with a cash and cash equivalent balance of \$3.5 million with a net working capital improvement of \$8.6 million for the six months ended June 30, 2015.

DATA Group recorded restructuring charges of \$4.2 million for the quarter ended June 30, 2015, of \$2.1 million for the quarter ended March 31, 2015 and presently expects to incur additional restructuring charges of approximately \$7.5 million in the second half of the year. These charges consist primarily of severance costs associated with headcount reductions across all functions of the company.

DATA Group also announced that, in connection with its efforts to restructure its operations, management has withdrawn its previously provided financial guidance for 2015. In order to preserve cash to fund restructuring costs and general business improvement initiatives, DATA Group plans to limit debt reduction for the remainder of 2015 to the minimum principal repayments of \$1.0 million per quarter required by its credit agreement.

In connection with its previously announced capital structure review, DATA Group is focusing its efforts on refinancing its existing credit facilities which mature on August 31, 2016.

DATA Group is pleased to announce the appointment of James E. Lorimer as Chief Financial Officer. Mr. Lorimer has served as Interim Chief Financial Officer of the Company since May 12, 2015.

RESULTS OF OPERATIONS

All financial information in this press release is presented in Canadian dollars and in accordance with generally accepted accounting principles ("GAAP") measured under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") for publicly accountable entities, unless otherwise noted.

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

For the periods ended June 30, 2015 and 2014	Apr. 1 to June 30, 2015	Apr. 1 to June 30, 2014	Jan. 1 to June 30, 2015	Jan. 1 to June 30, 2014
<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	\$	\$	\$	\$
Revenues	73,447	76,773	149,449	154,676
Cost of revenues	57,821	58,936	116,538	118,036
Gross profit	15,626	17,837	32,911	36,640
Selling, general and administrative expenses	14,249	14,407	29,184	29,087
Restructuring expenses	4,205	869	6,259	1,734
Impairment of goodwill	26,000	—	26,000	—
Amortization of intangible assets	479	479	958	958
(Loss) income before finance costs and income taxes	(29,307)	2,082	(29,490)	4,861
Finance costs				
Interest expense	1,464	1,539	2,748	3,088
Interest income	(3)	(4)	(7)	(9)
Amortization of transaction costs	134	140	170	279
	1,595	1,675	2,911	3,358
(Loss) income before income taxes	(30,902)	407	(32,401)	1,503
Income tax expense (recovery)				
Current	76	—	83	—
Deferred	(1,295)	153	(1,670)	453
	(1,219)	153	(1,587)	453
Net (loss) income for the period	(29,683)	254	(30,814)	1,050
Net (loss) income attributable to common shareholders	(29,683)	254	(30,814)	1,050
Basic and diluted (loss) earnings per share	(1.26)	0.01	(1.31)	0.04
Number of common shares outstanding	23,490,592	23,490,592	23,490,592	23,490,592
As at June 30, 2015 and December 31, 2014	As at June 30, 2015	As at Dec. 31, 2014		
<i>(in thousands of Canadian dollars, unaudited)</i>	\$	\$		
Current assets	76,257	83,619		
Current liabilities	88,428	46,176		
Total assets	133,747	164,977		
Total non-current liabilities	56,796	100,388		
Shareholders' (deficiency) equity	(11,477)	18,413		

Table 2 The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the periods noted. See “Non-GAAP Measures”.

Adjusted EBITDA Reconciliation

For the periods ended June 30, 2015 and 2014	Apr. 1 to June 30, 2015	Apr. 1 to June 30, 2014	Jan. 1 to June 30, 2015	Jan. 1 to June 30, 2014
<i>(in thousands of Canadian dollars, unaudited)</i>	\$	\$	\$	\$
Net (loss) income for the period	(29,683)	254	(30,814)	1,050
Interest expense	1,464	1,539	2,748	3,088
Interest income	(3)	(4)	(7)	(9)
Amortization of transaction costs	134	140	170	279
Current income tax expense	76	—	83	—
Deferred income tax (recovery) expense	(1,295)	153	(1,670)	453
Depreciation of property, plant and equipment	1,224	1,244	2,374	2,552
Amortization of intangible assets	479	479	958	958
EBITDA	(27,604)	3,805	(26,158)	8,371
Restructuring expenses	4,205	869	6,259	1,734
Impairment of goodwill	26,000	—	26,000	—
Adjusted EBITDA	2,601	4,674	6,101	10,105

Revenues

For the quarter ended June 30, 2015, DATA Group recorded revenues of \$73.4 million, a decrease of \$3.3 million or 4.3% compared with the same period in 2014. The decrease, before intersegment revenues, was primarily the result of a \$3.5 million decrease in the DATA segment. For the six months ended June 30, 2015, DATA Group recorded revenues of \$149.4 million, a decrease of \$5.2 million or 3.4% compared with the same period in 2014. The decrease, before intersegment revenues, was the result of a \$5.7 million decrease in the DATA segment and was partially offset by a \$0.4 million increase in the Multiple Pakfold segment. The decrease in revenues in the DATA segment during the three and six months ended June 30, 2015 was primarily due to a reduction in orders from existing customers for print-related products and services, price concessions associated with maintaining existing customer contracts and winning new customer contracts in response to aggressive pricing by DATA Group's competitors supplying similar products and services, reduced demand for printed products generally due to technological change and a change in product mix. The increase in revenues for the six months ended June 30, 2015 was primarily due to new business which arose as a result of the bankruptcy of a competitor.

Cost of Revenues and Gross Profit

For the quarter ended June 30, 2015, cost of revenues decreased to \$57.8 million from \$58.9 million for the same period in 2014. Gross profit for the quarter ended June 30, 2015 was \$15.6 million, which represented a decrease of \$2.2 million or 12.4% from \$17.8 million for the same period in 2014. The decrease in gross profit for the quarter ended June 30, 2015 was attributable to a gross profit decrease of \$2.2 million in the DATA segment. Gross profit as a percentage of revenues decreased to 21.3% for the quarter ended June 30, 2015 compared to 23.2% for the same period in 2014. For the six months ended June 30, 2015, cost of revenues decreased to \$116.5 million from \$118.0 million for the same period in 2014. Gross profit for the six months ended June 30, 2015 was \$32.9 million, which represented a decrease of \$3.7 million or 10.2% from \$36.6 million for the same period in 2014. The decrease in gross profit for the six months ended June 30, 2015 was attributable to a gross profit decrease of \$3.7 million in the DATA segment. Gross profit as a percentage of revenues decreased to 22.0% for the six months ended June 30, 2015 compared to 23.7% for the same period in 2014. The decrease in gross profit during the three and six months ended

June 30, 2015 was due to a decrease in revenues, the impact of competitive pricing and changes in product mix, which were partially offset by cost reductions realized from prior cost savings initiatives in the DATA segment. These cost savings included headcount reductions and the renegotiation of agreements for a number of raw material input costs. During the three and six months ended June 30, 2015, the DATA segment continued its on-going productivity improvement and cost reductions initiatives, which gave rise to the additional severance costs and restructuring charges noted under "Selling, General and Administrative Expenses" below.

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, 2015 decreased \$0.2 million or 1.1% to \$14.2 million compared to \$14.4 million in the same period in 2014. As a percentage of revenues, these costs were 19.4% of revenues for the quarter ended June 30, 2015 compared to 18.8% of revenues for the same period in 2014. SG&A expenses, excluding amortization of intangible assets, for the six months ended June 30, 2015 increased \$0.1 million or 0.3% to \$29.2 million compared to \$29.1 million for the same period of 2014. As a percentage of revenues, these costs were 19.5% and 18.8% of revenues for the six month periods ended June 30, 2015 and 2014, respectively. The decrease in SG&A expenses for the three months ended June 30, 2015 was primarily attributable to cost savings initiatives implemented in 2014 and early 2015. The increase in SG&A expenses for the six months ended June 30, 2015 was attributable to the write off of leasehold improvements at closed facilities and was partially offset by cost savings initiatives implemented in 2014 and early 2015.

For the three and six months ended June 30, 2015, DATA Group incurred restructuring expenses of \$4.2 million and \$6.3 million, respectively, related to changes in senior management, headcount reductions across its operations and the closure of certain manufacturing facilities as part of its 2015 restructuring initiatives. 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 2014 restructuring initiatives.

Impairment of Goodwill

During the three months ended June 30, 2015, impairment indicators, including changes in the revenue trends and profit forecasts and the failure to meet certain financial covenants under its credit facilities indicated that DATA Group's assets may be impaired. As a result of this new information, DATA Group performed an impairment analysis by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. DATA Group determined the fair value of each CGU by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values required DATA Group to make a number of estimates and assumptions such as projected future revenues, costs of revenues, operating margins, market conditions well into the future, and discount rates. As a result of that review, DATA Group concluded that the fair value of its DATA CGU was less than its carrying value. Accordingly, DATA Group recorded an impairment of goodwill charge of \$26.0 million related to the DATA CGU.

Adjusted EBITDA

For the quarter ended June 30, 2015, Adjusted EBITDA was \$2.6 million, or 3.5% of revenues. Adjusted EBITDA for the quarter ended June 30, 2015 decreased \$2.1 million or 44.4% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 6.1% of revenues in 2014 to 3.5% of revenues in 2015. For the six months ended June 30, 2015, Adjusted EBITDA was \$6.1 million, or 4.1% of revenues. Adjusted EBITDA for the six months ended June 30, 2015 decreased \$4.0 million or 39.6% from the same period in the prior year and the Adjusted EBITDA margin

for the period, as a percentage of revenues, decreased from 6.5% of revenues in 2014 to 4.1% of revenues in 2015. The decrease in Adjusted EBITDA for the three and six month periods ended June 30, 2015 was attributable to a decline in revenues primarily attributable to pricing concessions and changes in product mix, and was partially offset by cost savings realized as a result of prior restructuring initiatives.

Interest Expense

Interest expense, including interest on debt outstanding under DATA Group's credit facilities, on its outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"), on certain unfavourable lease obligations related to closed facilities and on DATA Group's employee benefit plans, was unchanged from the prior year at \$1.5 million for the quarter ended June 30, 2015, and was \$2.7 million for the six months ended June 30, 2015 compared to \$3.1 million for the same period in 2014. Interest expense for the six months ended June 30, 2015 was lower than the same period in the prior year primarily as a result of a reduction in long-term debt outstanding under DATA Group's credit facilities.

Income Taxes

DATA Group reported a loss before income taxes of \$30.9 million, a current income tax expense of \$0.1 million and a deferred income tax recovery of \$1.3 million for the quarter ended June 30, 2015 compared to income before income taxes of \$0.4 million and a deferred income tax expense of \$0.2 million for the quarter ended June 30, 2014. DATA Group reported a loss before income taxes of \$32.4 million, a current income tax expense of \$0.1 million and a deferred income tax recovery of \$1.7 million for the six months ended June 30, 2015 compared to 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. The current income tax expense was due to the taxes payable on DATA Group's estimated taxable income for the three and six month periods ended June 30, 2015. The deferred income tax expense and deferred income tax recovery were due to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the three and six month periods ended June 30, 2015 and 2014.

Net (Loss) Income

Net loss for the three and six months ended June 30, 2015 was \$29.7 million and \$30.8 million, respectively, compared to net income of \$0.3 million and \$1.1 million, respectively, for the same periods in 2014. The decrease in comparable profitability for the three and six months ended June 30, 2015 was substantially due to lower gross profit as a result of lower revenues, higher restructuring expenses and a goodwill impairment charge during the three and six months ended June 30, 2015. The decrease in comparable profitability was partially offset by a deferred income tax recovery during the three and six months ended June 30, 2015.

INVESTING ACTIVITIES

Capital expenditures for the three and six months ended June 30, 2015 were \$0.9 million and \$3.5 million, respectively. These capital expenditures were related primarily to maintenance capital expenditures and the consolidation of three existing manufacturing facilities into one new manufacturing facility in Calgary, Alberta, which were financed by cash flow from operations.

FINANCING ACTIVITIES

During the three and six months ended June 30, 2015, DATA Group repaid \$1.0 million and \$2.0 million, respectively, of the principal amount outstanding under its credit facilities.

About DATA Group Ltd.

DATA Group Ltd. is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business processes. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. We have approximately 1,560 employees working from 28 locations across Canada and the United States to accomplish this.

Additional information relating to DATA Group Ltd. is available on www.datagroup.ca, and in the disclosure documents filed by DATA Group Ltd. on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DATA Group, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this press release, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DATA Group's current views regarding future events and operating performance, are based on information currently available to DATA Group, and speak only as of the date of this press release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DATA Group to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DATA Group made or took into account in the preparation of these forward-looking statements include the risk that DATA Group may not be successful 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 press release and under the heading "Risks and Uncertainties" in DATA Group's management's discussion and analysis and in DATA Group's other publicly available disclosure documents, as filed by DATA Group on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual

results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DATA Group does not intend and does not assume any obligation to update these forward-looking statements.

NON-GAAP MEASURES

This press release includes certain non-GAAP measures as supplementary information. When used in this press release, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization. Adjusted EBITDA for the three and six month periods ended June 30, 2015 means EBITDA adjusted for restructuring expenses and goodwill impairment charges. Adjusted EBITDA for the three and six month periods ended June 30, 2014 means EBITDA adjusted for restructuring expenses. DATA Group believes that, in addition to net income (loss), EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA Group and its predecessors. EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that neither EBITDA nor Adjusted EBITDA should be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of DATA Group's performance. For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 2 above.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands of Canadian dollars, unaudited)</i>	June 30, 2015	December 31, 2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,514	812
Trade receivables	30,227	37,175
Inventories	38,421	40,045
Prepaid expenses and other current assets	4,095	5,587
	<u>76,257</u>	<u>83,619</u>
Non-current assets		
Deferred income tax assets	2,882	1,508
Property, plant and equipment	15,997	15,523
Pension asset	1,242	—
Intangible assets	6,303	7,261
Goodwill	31,066	57,066
	<u>133,747</u>	<u>164,977</u>
Liabilities		
Current liabilities		
Current portion of Credit facilities	44,999	3,500
Trade payables	28,416	29,061
Provisions	4,339	2,042
Income taxes payable	101	154
Deferred revenue	10,573	11,419
	<u>88,428</u>	<u>46,176</u>
Non-current liabilities		
Provisions	1,379	1,361
Credit facilities	—	43,382
Convertible debentures	43,343	43,222
Deferred income tax liabilities	57	50
Other non-current liabilities	600	548
Pension obligations	8,405	8,949
Other post-employment benefit plans	3,012	2,876
	<u>145,224</u>	<u>146,564</u>
(Deficit) Equity		
Shareholders' (deficiency) equity		
Shares	215,336	215,336
Conversion options	513	513
Accumulated other comprehensive income	165	92
Deficit	(227,491)	(197,528)
	<u>(11,477)</u>	<u>18,413</u>
	<u>133,747</u>	<u>164,977</u>

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	For the three months ended June 30, 2015	For the three months ended June 30, 2014
	\$	\$
Revenues	73,447	76,773
Cost of revenues	57,821	58,936
Gross profit	15,626	17,837
Expenses		
Selling, commissions and expenses	8,686	8,797
General and administration expenses excluding amortization of intangible assets	5,563	5,610
Restructuring expenses	4,205	869
Impairment of goodwill	26,000	—
Amortization of intangible assets	479	479
	44,933	15,755
(Loss) income before finance costs and income taxes	(29,307)	2,082
Finance costs		
Interest expense	1,464	1,539
Interest income	(3)	(4)
Amortization of transaction costs	134	140
	1,595	1,675
(Loss) income before income taxes	(30,902)	407
Income tax expense (recovery)		
Current	76	—
Deferred	(1,295)	153
	(1,219)	153
Net (loss) income for the period	(29,683)	254
Basic (loss) earnings per share	(1.26)	0.01
Diluted (loss) earnings per share	(1.26)	0.01

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	For the six months ended June 30, 2015	For the six months ended June 30, 2014
	\$	\$
Revenues	149,449	154,676
Cost of revenues	116,538	118,036
Gross profit	32,911	36,640
Expenses		
Selling, commissions and expenses	17,798	17,719
General and administration expenses excluding amortization of intangible assets	11,386	11,368
Restructuring expenses	6,259	1,734
Impairment of goodwill	26,000	—
Amortization of intangible assets	958	958
	62,401	31,779
(Loss) income before finance costs and income taxes	(29,490)	4,861
Finance costs		
Interest expense	2,748	3,088
Interest income	(7)	(9)
Amortization of transaction costs	170	279
	2,911	3,358
(Loss) income before income taxes	(32,401)	1,503
Income tax expense (recovery)		
Current	83	—
Deferred	(1,670)	453
	(1,587)	453
Net (loss) income for the period	(30,814)	1,050
Basic (loss) earnings per share	(1.31)	0.04
Diluted (loss) earnings per share	(1.31)	0.04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars, unaudited)

	For the three months ended June 30, 2015	For the three months ended June 30, 2014
	\$	\$
Net (loss) income for the period	(29,683)	254
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net (loss) income		
Foreign currency translation	(13)	(19)
	(13)	(19)
Items that will not be reclassified to net (loss) income		
Re-measurements of post-employment benefit obligations	986	(526)
Taxes related to post-employment adjustment above	(258)	121
	728	(405)
Other comprehensive income (loss) for the period, net of tax	715	(424)
Comprehensive loss for the period	(28,968)	(170)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars, unaudited)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
	\$	\$
Net (loss) income for the period	(30,814)	1,050
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net (loss) income		
Foreign currency translation	73	1
	73	1
Items that will not be reclassified to net (loss) income		
Re-measurements of post-employment benefit obligations	1,151	(2,949)
Taxes related to post-employment adjustment above	(300)	757
	851	(2,192)
Other comprehensive income (loss) for the period, net of tax	924	(2,191)
Comprehensive loss for the period	(29,890)	(1,141)

CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) EQUITY

(in thousands of Canadian dollars, unaudited)

	Shares	Conversion options	Accumulated other comprehensive income	Deficit	Total (deficit) equity
	\$	\$	\$	\$	\$
Balance as at December 31, 2013	215,336	516	30	(197,807)	18,075
Net loss for the period	—	—	—	1,050	1,050
Other comprehensive income (loss) for the period	—	—	1	(2,192)	(2,191)
Total comprehensive (loss) income for the period	—	—	1	(1,142)	(1,141)
Balance as at June 30, 2014	215,336	516	31	(198,949)	16,934
Balance as at December 31, 2014	215,336	513	92	(197,528)	18,413
Net loss for the period	—	—	—	(30,814)	(30,814)
Other comprehensive income for the period	—	—	73	851	924
Total comprehensive (loss) income for the period	—	—	73	(29,963)	(29,890)
Balance as at June 30, 2015	215,336	513	165	(227,491)	(11,477)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars, unaudited)</i>	For the three months ended June 30, 2015	For the three months ended June 30, 2014
	\$	\$
Cash provided by (used in)		
Operating activities		
Net (loss) income for the period	(29,683)	254
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	1,224	1,244
Amortization of intangible assets	479	479
Pension expense	152	120
(Gain) loss on disposal of property, plant and equipment	(128)	3
Impairment of goodwill	26,000	—
Provisions	4,205	869
Amortization of transaction costs	134	140
Accretion of convertible debentures	79	74
Other non-current liabilities	21	(79)
Other post-employment benefit plans, net	69	58
Income tax (recovery) expense	(1,219)	153
	1,333	3,315
Changes in working capital	4,913	(2,561)
Contributions made to pension plans	(480)	(891)
Provisions paid	(2,874)	(1,160)
Income taxes (paid) received	(67)	138
	2,825	(1,159)
Investing activities		
Purchase of property, plant and equipment	(903)	(191)
Proceeds on disposal of property, plant and equipment	604	2
	(299)	(189)
Financing activities		
Repayment of credit facilities	(1,000)	(1,500)
Finance costs	7	—
Finance lease payments	(9)	(6)
	(1,002)	(1,506)
Increase (decrease) in cash and cash equivalents during the period	1,524	(2,854)
Cash and cash equivalents (bank overdraft) – beginning of period	1,993	(1,308)
Effects of foreign exchange on cash balances	(3)	(5)
Cash and cash equivalents (bank overdraft) – end of period	3,514	(4,167)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars, unaudited)</i>	For the six months ended June 30, 2015	For the six months ended June 30, 2014
	\$	\$
Cash provided by (used in)		
Operating activities		
Net (loss) income for the period	(30,814)	1,050
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	2,374	2,552
Amortization of intangible assets	958	958
Pension expense	304	241
Loss (gain) on disposal of property, plant and equipment	39	(10)
Impairment of goodwill	26,000	—
Provisions	6,259	1,734
Amortization of transaction costs	170	279
Accretion of convertible debentures	61	147
Other non-current liabilities	70	(161)
Other post-employment benefit plans, net	136	115
Income tax (recovery) expense	(1,587)	453
	3,970	7,358
Changes in working capital	8,576	(3,816)
Contributions made to pension plans	(939)	(1,760)
Provisions paid	(3,944)	(2,232)
Income taxes (paid) received	(138)	126
	7,525	(324)
Investing activities		
Purchase of property, plant and equipment	(3,493)	(794)
Proceeds on disposal of property, plant and equipment	632	21
	(2,861)	(773)
Financing activities		
Repayment of credit facilities	(2,000)	(3,500)
Finance costs	7	(38)
Finance lease payments	(18)	(12)
	(2,011)	(3,550)
Increase (decrease) in cash and cash equivalents during the period	2,653	(4,647)
Cash and cash equivalents – beginning of period	812	478
Effects of foreign exchange on cash balances	49	2
Cash and cash equivalents (bank overdraft) – end of period	3,514	(4,167)