2ND QUARTER REPORT

DELIVERING CRITICAL BUSINESS AND MARKETING COMMUNICATION SERVICES TO NORTH AMERICA'S LEADING COMPANIES

ENDED JUNE 30, 2017

DATA COMMUNICATIONS MANAGEMENT

Letter to shareholders

Dear Fellow Shareholders,

It is our pleasure to report the results of DATA Communications Management for the second quarter of 2017. We are pleased with the progress we have made in key business areas and with the corresponding improved financial results. Three areas of focus have been sales stabilization strategies, the integration of our recent acquisitions and the strengthening of our balance sheet.

Under Greg Cochrane's focused sales and business development leadership, we made significant strides improving DATA's position in both the marketing communications and print business segments. To achieve this, we made structural and leadership changes to the sales team to make it more responsive to the changing market, take a more consultative approach to our client interactions and to better capitalize on our unique suite of integrated technology solutions. We also began to implement several strategic initiatives to improve customer profitability, build wallet share in our existing customer base and to position DATA as a provider of a unique suite of superior solutions.

Collectively, these initiatives have helped us build a robust pipeline of opportunities that capitalize on our core competency of managing complex business communications for our customers.

One of the important changes we announced in July was the addition of Michael Coté as Senior Vice President, Corporate Development & Strategy starting in September. Michael adds seasoned business-to-business selling experience and bench-strength to our team and we look forward to having him help strengthen our customer relationships and competitive positioning.

The recent acquisitions of Eclipse and Thistle have been tremendous additions to your company and both are positively contributing to our financial results. Not only are we seeing the benefits of cross-selling our respective offerings and insourcing of previously outsourced products, their management teams are making positive contributions to DATA in many ways. We continue to look at other complementary acquisitions with a focus on tuck-in opportunities that we can absorb into our current infrastructure, together with specialty businesses in the labels, large format and digital print markets.

We are very pleased that DATA repaid our 6.00% convertible debentures in full upon their June 30, 2017 maturity date. The $11.2 million principal amount of the debentures, plus accrued interest, was satisfied through a combination of $8.5 million in new equity capital we raised together with a new $3.5 million subordinated credit facility. The equity capital was comprised of the successful rights offering which raised gross proceeds of $4.6 million and a subsequent private placement for gross proceeds of $3.9 million. By completing these financings, we avoided drawing on our senior revolving credit facility, preserving flexibility for our working capital needs and other general corporate purposes.

Directors, officers and other insiders invested approximately $2.3 million or 28% of the new equity raised. Your senior leadership team believes in the direction we are going and is committed to the company's future.

We are encouraged by our sales funnel and the opportunities ahead of us. Despite having a robust new business pipeline, our sales and onboarding process is slow and seems to take longer than we anticipate. At the same time, our core enterprise and financial institutions business has experienced larger declines than previously anticipated. Nonetheless, we are cautiously optimistic about the balance of 2017 and our sales pipeline of new initiatives converting through 2018. As a result, we are revising our financial guidance for fiscal 2017 to a range of between \$18.0 million and \$20.0 million of full year non-IFRS adjusted EBITDA.

We look forward to reporting on our continued progress at the end of the third quarter.

For a full description of our financial results for the second quarter and the year to date of 2017, please refer to our unaudited consolidated financial statements for the three and six months ended June 30, 2017 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Sincerely,

Michael G. Sifton
Chief Executive Officer

DATA Communications Management Corp.
August 2017

Management's discussion and analysis of financial condition and results of operations

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM.TO) and its subsidiaries (referred to herein as "DATA" or the "Company") for the three and six month periods ended June 30, 2017 and 2016. This MD&A should be read in conjunction with the MD&A of DATA for the year ended December 31, 2016, the unaudited interim consolidated financial statements and accompanying notes of DATA for the three and six month periods ended June 30, 2017 and 2016 and the audited consolidated financial statements and accompanying notes of DATA for the year ended December 31, 2016. Additional information about the Company, including its most recently filed unaudited interim and audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of August 8, 2017.

Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

On July 4, 2016, DATA consolidated its issued and outstanding common shares ("Common Shares") on the basis of one post-consolidation Common Share for each 100 pre-consolidation Common Shares (the "Share Consolidation"). All references in this MD&A to Common Shares, restricted share units and stock options reflect the Share Consolidation, unless specified otherwise.

Forward-looking statements

Certain statements in this MD&A 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, 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 MD&A, 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's current views regarding future events and operating performance, are based on information currently available to DATA, and speak only as of the date of this MD&A. 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 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 made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DATA's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DATA will adversely affect DATA's financial results; the risk that DATA may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, and growing its digital communications business; the risk that DATA may not be successful in managing its organic growth; DATA's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DATA and are well-established suppliers; DATA'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's businesses; risks associated with acquisitions by DATA; the failure to realize the expected benefits from acquisitions and risks associated with the integration of acquired businesses; increases in the costs of paper and other raw materials used by DATA; and DATA's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the headings "Risk Factors" and "Risks and Uncertainties" in DATA's publicly available disclosure documents, as filed by DATA 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 MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DATA does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of Common Shares (basic and diluted) outstanding during the period. In addition to net income (loss), DATA uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA to provide investors with supplemental measures of DATA's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DATA also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DATA's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of DATA's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 below. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 4 below.

Business of DATA

OVERVIEW

DATA is a leading provider of business communication solutions, bringing value and collaboration to marketing and operations teams in companies across North America. DATA helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications management processes. DATA is strategically located across Canada, including seven centres of excellence to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois.

DATA derives its revenues from the following core capabilities: direct marketing, commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. The Company serves clients in key vertical markets such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy.

Customer agreements and terms typically include provisions consistent with industry practice, which allow DATA to pass along increases in the cost of paper and other raw materials used to manufacture products.

DATA's revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DATA's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

DATA has approximately 1,400 employees in Canada and the United States, and had revenues of $278.4 million in 2016. Website: www.datacm.com.

RECENT DEVELOPMENTS

SETTLEMENT OF 6.00% CONVERTIBLE DEBENTURES

As intended, upon maturity on June 30, 2017, DATA settled the outstanding 6.00% Convertible Unsecured Subordinated Debentures ("6.00% Convertible Debentures") with an aggregate payment of $11.2 million plus accrued interest of $0.3 million which was financed with the net proceeds received from the Rights Offering, Private Placement and Bridging Credit Facility (all of which are described in further detail below). This represents a significant achievement for the Company, as it looks to deleverage its balance sheet further.

RIGHTS OFFERING

On June 23, 2017, DATA completed a rights offering ("Rights Offering") and issued 3,312,368 Common Shares at a price of $1.40 per share for gross proceeds of $4.6 million. Among this, 1,090,727 Common Shares were issued to directors, officers and related parties of DATA for total gross proceeds of $1.5 million. The gross proceeds were used to finance, in part, the settlement of the 6.00% Convertible Debentures which matured on June 30, 2017.

PRIVATE PLACEMENT

On June 28, 2017, DATA completed a non-brokered private placement offering ("Private Placement"). Pursuant to the Private Placement, DATA issued 2,690,604 units ("Units"), with each Unit consisting of one Common Share and one-half of a Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant") at a price per Unit of $1.40 for gross proceeds of $3.8 million. Among this, 550,650 Units were issued to directors and officers of DATA for total proceeds of $0.8 million. The gross proceeds of $3.8 million were used to finance, in part, the settlement of the 6.00% Convertible Debentures which matured on June 30, 2017.

On July 13, 2017, DATA completed a second closing of the Private Placement to a director of DATA for 71,500 Units, raising additional gross proceeds of $0.1 million.

NEW CREDIT FACILITY AND COVENANT AMENDMENT

On June 28, 2017, DATA established a non-revolving credit facility (the "Bridging Credit Facility") with Bridging Finance Inc. ("Bridging") for $3.5 million (the "Bridging Credit Agreement"). Advances under the Bridging Credit Facility are repayable on demand and bear interest at a rate equal to the prime rate of interest charged by DATA's bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility has a term of one year and can be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DATA's other senior lenders. The gross proceeds of $3.5 million were used to finance, in part, the settlement of the 6.00% Convertible Debentures which matured on June 30, 2017.

In addition to the establishment of the Bridging Credit Facility, the term on a sub facility of DATA's senior revolving credit facility with a Canadian chartered bank was concurrently amended whereby the outstanding balance as of June 30, 2017 for $4.2 million will be repaid by May 31, 2018. Given the Bridging Credit Facility and the bank term facility are repayable within one year, these were classified as current liabilities in DATA's consolidated statement of financial position as at June 30, 2017, resulting in the working capital current ratio of 1.25 to 1 not being met as of the period end. This was subsequently cured by way of an amendment whereby the working capital current ratio was changed to 1.1 to 1 effective June 30, 2017, thereby resulting in DATA's lenders confirming there is no event of default (see "Liquidity" section for further details.) Given that the amendment was entered into subsequent to June 30, 2017, the long-term portion of DATA's senior credit facilities totalling $41.3 million were reclassified to current liabilities in DATA's consolidated statement of financial position as at June 30, 2017. DATA expects to be compliant with its covenants going forward and, accordingly, it expects that the long-term portion of DATA's senior credit facilities will be reclassified to long-term in future periods.

FURTHER ENHANCEMENTS TO SALES

In the second quarter of 2017, Greg J. Cochrane, President, assumed additional sales and business development responsibilities with the objective of improving DATA's position in the marketing communications and print business segments. Under his leadership, DATA has made structural and management changes to the sales team to make it more responsive to the changing market, take a more consultative approach to client interactions and better capitalize on DATA's unique set of integrated technology solutions. DATA also began to implement several strategic initiatives to improve customer profitability, build wallet share of its existing customer base and to position DATA as a provider of a unique suite of superior solutions.

In addition, DATA recently announced the hiring of Mike Coté, as Senior Vice President, Corporate Development and Strategy, effective September 5, 2017. In this new role, Mr. Coté will lead strategic business development efforts, and will focus on helping DATA achieve its organic growth objectives. Mr Coté brings extensive business-to-business selling experience and is expected to help strengthen DATA's customer relationships and competitive positioning.

RESTRUCTURING

DATA continues to evaluate its business for opportunities to enhance productivity and reduce its cost of operations. During the three months ended June 30, 2017, additional restructuring charges of $1.5 million were incurred primarily related to headcount reductions in the Sales and Customer Service functions as a result of initiatives described in the “Further Enhancements to Sales” section above. In addition, a $0.3 million expense was recorded during the second quarter of 2017 as a result of an onerous lease on the Regina, Saskatchewan facility which DATA exited and consolidated with its Calgary, Alberta facility, in addition to expenditures for building maintenance costs. Annualized savings from these initiatives are expected to be $1.4 million per year.

POST-INTEGRATION OF ECLIPSE AND THISTLE ACQUISITIONS

As previously reported, DATA completed the acquisition of Eclipse Colour and Imaging Corp. (“Eclipse”) and Thistle Printing Limited (“Thistle”) in the first quarter of 2017. During the second quarter of 2017, the sales force was cross-trained on the respective capabilities and service offerings of DATA, Eclipse and Thistle. This has translated into stronger than expected post-acquisition financial results as the Company has benefited from cross-selling opportunities, in addition to cost savings and improved margins from synergies gained. Eclipse generated revenue and net income for the three months ended June 30, 2017 of $6.7 million and $0.8 million (six months ended June 30, 2017 of $9.4 million and $1.2 million), respectively, and Thistle generated revenue and net income for the three months ended June 30, 2017 of $4.2 million and $0.4 million (six months ended June 30, 2017 of $6.0 million and $0.4 million), respectively. With the inclusion of Eclipse’s and Thistle’s financial results for a full quarter, in addition to synergies gained from these acquisitions, overall gross margin for the Company improved from 23.3% for the three months ended March 31, 2017 to 24.6% for the three months ended June 30, 2017 and is consistent with the same comparative period last year.

The valuation reports for the Eclipse and Thistle acquisitions are still in progress, and therefore, the purchase price allocation remains preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material. The post-closing adjustment for the Eclipse acquisition was completed during the second quarter of 2017 and did not change the purchase price significantly from the estimated amount previously used for the purchase accounting. The finalization of the post-closing adjustment for the Thistle acquisition is expected to be completed in the third quarter of 2017.

REVENUE RECOGNITION POLICY

DATA 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 the risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. Since the majority of DATA's products are customized, product returns are not significant. DATA 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 their fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA recognizes warehousing, administration and marketing service fees when the services are provided, the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA and the costs associated with these services can be reliably measured. DATA 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, administration and marketing service fees are included in one overall selling price of DATA's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

DATA's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DATA's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DATA's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DATA's facilities, utilities, insurance and building maintenance. DATA'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 costs for travel, corporate communications, 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 personnel related expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

DATA has incurred restructuring expenses in each of the last four fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures.

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary interim and financial information for each of fiscal 2017 and fiscal 2016 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with DATA's fiscal 2016 audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

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

For the periods ended June 30, 2017 and 2016 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2017**	April 1 to June 30, 2016	**January 1 to June 30, 2017**	January 1 to June 30, 2016
Revenues	**$ 73,066**	$ 69,716	**$ 143,192**	$ 144,330
Cost of revenues	**55,062**	52,567	**108,828**	108,808
Gross profit	**18,004**	17,149	**34,364**	35,522
Selling, general and administrative expenses	**15,715**	14,258	**30,739**	28,596
Restructuring expenses	**1,735**	368	**3,621**	692
Acquisition costs	**13**	—	**969**	—
	17,463	14,626	**35,329**	29,288
Income (loss) before finance costs and income taxes	**541**	2,523	**(965)**	6,234
Finance costs (income)				
Interest expense	**1,181**	869	**2,131**	1,737
Interest income	**—**	(1)	**—**	(4)
Amortization of transaction costs	**121**	109	**236**	356
	1,302	977	**2,367**	2,089
(Loss) income before income taxes	**(761)**	1,546	**(3,332)**	4,145
Income tax (recovery) expense				
Current	**288**	1,156	**339**	1,332
Deferred	**(468)**	(601)	**(993)**	(60)
	(180)	555	**(654)**	1,272
Net (loss) income for the period	**$ (581)**	$ 991	**$ (2,678)**	$ 2,873
Basic (loss) earnings per share	**$ (0.04)**	$ 0.09	**$ (0.20)**	$ 0.28
Diluted (loss) earnings per share	**$ (0.04)**	$ 0.09	**$ (0.20)**	$ 0.28
Weighted average number of common shares outstanding, basic	**13,637,875**	10,559,348	**13,079,515**	10,273,438
Weighted average number of common shares outstanding, diluted	**13,637,875**	10,586,957	**13,079,515**	10,287,242

As at June 30, 2017 and December 31, 2016 *(in thousands of Canadian dollars, unaudited)*	**As at June 30, 2017**	As at December 31, 2016
Current assets	**$ 77,564**	$ 68,620
Current liabilities	**106,778**	58,473
Total assets	**122,065**	90,910
Total non-current liabilities	**18,544**	42,372
Shareholders' deficit	**$ (3,257)**	$ (9,935)

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures".

For the periods ended June 30, 2017 and 2016 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*		**April 1 to June 30, 2017**		April 1 to June 30, 2016		**January 1 to June 30, 2017**		January 1 to June 30, 2016
Revenues	**$**	**73,066**	$	69,716	**$**	**143,192**	$	144,330
Gross profit	**$**	**18,004**	$	17,149	**$**	**34,364**	$	35,522
Gross profit, as a percentage of revenues		**24.6%**		24.6%		**24.0%**		24.6%
Selling, general and administrative expenses	**$**	**15,715**	$	14,258	**$**	**30,739**	$	28,596
As a percentage of revenues		**21.5%**		20.5%		**21.5%**		19.8%
Adjusted EBITDA (see Table 3)	**$**	**4,253**	$	4,535	**$**	**7,167**	$	10,190
As a percentage of revenues		**5.8%**		6.5%		**5.0%**		7.1%
Net (loss) income for the period	**$**	**(581)**	$	991	**$**	**(2,678)**	$	2,873
Adjusted net income (see Table 4)	**$**	**714**	$	1,263	**$**	**967**	$	3,384
As a percentage of revenues		**1.0%**		1.8%		**0.7%**		2.3%

TABLE 3 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See "Non-IFRS Measures".

EBITDA and Adjusted EBITDA reconciliation

For the periods ended June 30, 2017 and 2016 *(in thousands of Canadian dollars, unaudited)*		**April 1 to June 30, 2017**		April 1 to June 30, 2016		**January 1 to June 30, 2017**		January 1 to June 30, 2016
Net (loss) income for the period	**$**	**(581)**	$	991	**$**	**(2,678)**	$	2,873
Interest expense		**1,181**		869		**2,131**		1,737
Interest income		**—**		(1)		**—**		(4)
Amortization of transaction costs		**121**		109		**236**		356
Current income tax expense		**288**		1,156		**339**		1,332
Deferred income tax recovery		**(468)**		(601)		**(993)**		(60)
Depreciation of property, plant and equipment		**1,058**		1,134		**1,943**		2,249
Amortization of intangible assets		**906**		510		**1,599**		1,015
EBITDA	**$**	**2,505**	$	4,167	**$**	**2,577**	$	9,498
Restructuring expenses		**1,735**		368		**3,621**		692
Acquisition costs		**13**		—		**969**		—
Adjusted EBITDA	**$**	**4,253**	$	4,535	**$**	**7,167**	$	10,190

TABLE 4 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See "Non-IFRS Measures".

Adjusted net income reconciliation

For the periods ended June 30, 2017 and 2016 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2017**	April 1 to June 30, 2016	**January 1 to June 30, 2017**	January 1 to June 30, 2016
Net (loss) income for the period	**$ (581)**	$ 991	**$ (2,678)**	$ 2,873
Restructuring expenses	**1,735**	368	**3,621**	692
Acquisition costs	**13**	—	**969**	—
Tax effect of the above adjustments	**(453)**	(96)	**(945)**	(181)
Adjusted net income	**$ 714**	$ 1,263	**$ 967**	$ 3,384
Adjusted net income per share, basic and diluted	**$ 0.05**	$ 0.12	**$ 0.07**	$ 0.34
Weighted average number of common shares outstanding, basic	**13,637,875**	10,559,348	**13,079,515**	10,273,438
Weighted average number of common shares outstanding, diluted	**13,637,875**	10,586,957	**13,079,515**	10,287,242
Number of common shares outstanding, basic	**19,263,235**	11,666,095	**19,263,235**	11,666,095
Number of common shares outstanding, diluted	**19,263,235**	11,980,143	**19,263,235**	11,980,143

Results of operations

REVENUES

For the quarter ended June 30, 2017, DATA recorded revenues of $73.1 million, an increase of $3.4 million or 4.8% compared with the same period in 2016. The increase in revenues for the quarter ended June 30, 2017 was due to the inclusion of a full quarter of financial results for Eclipse and Thistle, in addition to greater than expected growth realized from these acquisitions. This was partially offset by lower revenues in DATA's core business due to (i) lower volumes and pricing from certain customers that reduced their overall spend, particularly in the financial services sector, and (ii) non-recurring work related to labels and forms from a major retailer and certain government agencies, respectively.

For the six months ended June 30, 2017, DATA recorded revenues of $143.2 million, a decrease of $1.1 million or 0.8% compared with the same period in 2016. The decrease in revenues for the six months ended June 30, 2017 was primarily due to lower volumes and pricing pressures from certain customers that reduced their overall spend, particularly in the financial services sector, and was also due to non-recurring work related to the forms and labels business, from which DATA benefited last year. Those factors led to revenue declines during the six month period which more than offset the growth in revenues from new customers and additional revenues from the acquisitions of Eclipse and Thistle, resulting in the overall reduction in revenues compared to the first six months of 2016.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended June 30, 2017, cost of revenues increased to $55.1 million from $52.6 million for the same period in 2016 proportionate to the increase in year of year revenue for the same period. Gross profit for the quarter ended

June 30, 2017 was $18.0 million, which represented an increase of $0.9 million or 5.0% from $17.1 million for the same period in 2016. Gross profit as a percentage of revenues for the quarter ended June 30, 2017 remained largely unchanged from the prior year at 24.6%. For the six months ended June 30, 2017, cost of revenues remained largely unchanged from the prior year at $108.8 million. Gross profit for the six months ended June 30, 2017 was $34.4 million, which represented a decrease of $1.2 million or 3.3% from $35.5 million for the same period in 2016. Gross profit as a percentage of revenues decreased marginally to 24.0% for the six months ended June 30, 2017 compared to 24.6% for the same period in 2016. The decrease in gross profit as a percentage of revenues for the six months ended June 30, 2017 was due to the decrease in revenues in the first six months of 2017, changes in product mix, and compressed margins on recently negotiated large contracts with certain existing customers. The decrease in gross profit as a percentage of revenues was partially offset by higher gross margins attributed to Eclipse and Thistle, cost reductions realized from prior cost savings initiatives implemented in 2016 and additional process improvement savings implemented in January 2017.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the quarter ended June 30, 2017 increased $1.5 million or 10.2% to $15.7 million compared to $14.3 million in the same period in 2016. As a percentage of revenues, these costs were 21.5% of revenues for the quarter ended June 30, 2017 compared to 20.5% of revenues for the same period in 2016. The increase in SG&A expenses for the quarter ended June 30, 2017 was primarily attributable to the acquisitions of Eclipse and Thistle and an increase in the amortization of intangible assets.

SG&A expenses for the six months ended June 30, 2017 increased $2.1 million or 7.5% to $30.7 million compared to $28.6 million for the same period of 2016. As a percentage of revenues, these costs were 21.5% and 19.8% of revenues for the six month periods ended June 30, 2017 and 2016, respectively. The increase in SG&A expenses for the six months ended June 30, 2017 was primarily attributable to the acquisitions of Eclipse and Thistle, an increase in the amortization of intangible assets, and increased investment in technology including expenses related to DATA's ERP project.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DATA over the past three years in order to improve margins and better align costs with the declining revenues experienced by the Company, a trend that has been faced by the traditional printing industry for several years now.

For the quarter ended June 30, 2017, DATA incurred restructuring expenses of $1.7 million compared to $0.4 million in the same period in 2016 of which $1.5 million primarily related to headcount reductions across the sales and customer service functions of the business and a lease exit charge of $0.3 million associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan. For the quarter ended June 30, 2016, DATA incurred restructuring expenses of $0.4 million primarily related to headcount reductions.

For the six months ended June 30, 2017, DATA incurred restructuring expenses of $3.6 million compared to $0.7 million in the same period in 2016. $3.7 million of restructuring costs in the first half or 2017 were related to headcount reductions in DATA's indirect labour force across its operations, designed to streamline DATA's order-to-production process and across the Sales and Customer Service functions of the business. These restructuring costs were offset by a recovery of $0.3 million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DATA also incurred a lease exit charge associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan of $0.3 million. For the six months ended June 30, 2016, DATA incurred restructuring expenses related to headcount reductions of $0.7 million.

DATA will continue to evaluate its operating costs for further efficiencies as part of its commitment to making its business more agile, focused, optimized and unified.

ADJUSTED EBITDA

For the quarter ended June 30, 2017, Adjusted EBITDA was $4.3 million, or 5.8% of revenues, after adjusting EBITDA for the $1.7 million in restructuring charges. Adjusted EBITDA for the three months ended June 30, 2017 decreased $0.3 million or 6.2% from the same period in the prior year which was 6.5% of revenues in 2016. The decrease in Adjusted EBITDA for the three months ended June 30, 2017 was due to higher SG&A expenses and was partially offset by higher gross profit as a result of higher revenues.

For the six months ended June 30, 2017, Adjusted EBITDA was $7.2 million, or 5.0% of revenues, after adjusting EBITDA for the $3.6 million in restructuring charges and adding back $1.0 million related to business acquisition costs. Adjusted EBITDA for the six months ended June 30, 2017 decreased $3.0 million or 29.7% from the same period in the prior year which was 7.1% of revenues in 2016. The decrease in Adjusted EBITDA for the six months ended June 30, 2017 was attributable to lower levels of revenue and gross profit and higher SG&A expenses compared to the prior comparable period.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DATA’s credit facilities, on its outstanding 6.00% Convertible Debentures, on certain unfavourable lease obligations related to closed facilities, and on DATA’s employee benefit plans, was $1.2 million for the three months ended June 30, 2017 compared to $0.9 million for the same period in 2016, and was $2.1 million for the six months ended June 30, 2017 compared to $1.7 million for the same period in 2016. Interest expense for the three and six month periods ended June 30, 2017 was higher than the same period in the prior year primarily due to the increase in the debt outstanding under DATA's credit facilities in order to fund a portion of the upfront cash components of the purchase prices, settle certain debt assumed and pay for related acquisition costs associated with the Eclipse and Thistle acquisitions in February 2017.

INCOME TAXES

DATA reported a loss before income taxes of $0.8 million and a net income tax recovery of $0.2 million for the quarter ended June 30, 2017 compared to income before income taxes of $1.5 million and a net income tax expense of $0.6 million for the quarter ended June 30, 2016. DATA reported a loss before income taxes of $3.3 million and a net income tax recovery of $0.7 million for the six months ended June 30, 2017 compared to income before income taxes of $4.1 million and a net income tax expense of $1.3 million for the six months ended June 30, 2016. The current income tax expense was due to the taxes payable on DATA's estimated taxable income for the three and six month periods ended June 30, 2017 and 2016, respectively. The deferred income tax recoveries primarily related 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, 2017 and 2016, respectively.

NET LOSS

Net loss for the quarter ended June 30, 2017 was $0.6 million compared to net income of $0.9 million for the same period in 2016. The decrease in comparable profitability for the quarter ended June 30, 2017 was substantially due to higher SG&A expenses and restructuring expenses and partially offset by higher gross profit as a result of higher revenues during the three months ended June 30, 2017.

Net loss for the six months ended June 30, 2017 was $2.7 million compared to a net income of $2.9 million for the same period in 2016. The decrease in comparable profitability for the six months ended June 30, 2017 was primarily due to lower revenue, higher SG&A expenses, a larger restructuring charge and business acquisition costs during the six months ended June 30, 2017.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended June 30, 2017 was $0.7 million compared to Adjusted net income of $1.3 million for the same period in 2016. Adjusted net income for the six months ended June 30, 2017 was $1.0 million compared to Adjusted net income of $3.4 million for the same period in 2016. The decrease in comparable profitability for the three and six month periods ended June 30, 2017 was attributable primarily due to lower revenues, higher SG&A expenses and higher interest expense in 2017.

Liquidity and capital resources

LIQUIDITY

DATA has established a revolving credit facility (the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”) and an amortizing term loan facility (the “IAM IV Credit Facility”) with IAM IV, a loan managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate credit agreements, between DATA and the Bank (the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition, DATA became a co-borrower under an existing credit agreement (the “IAM III Credit Agreement” and, together with the IAM IV Credit Agreement, the “IAM Credit Agreements”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another loan managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”).

On June 28, 2017, DATA established the Bridging Credit Facility with Bridging for $3.5 million. Advances under the Bridging Credit Facility are repayable on demand and bear interest at a rate equal to the prime rate of interest charged by DATA’s Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility has a term of one year and can be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DATA’s other senior lenders. The Bridging Credit Facility is subordinated in right of payment to the prior payment in full of DATA’s indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is secured by certain specified equipment together with certain other conventional security. The Bridging Credit Facility limits spending on capital expenditures by DATA to an aggregate amount not to exceed $5.5 million during any fiscal year. Transaction costs of $0.1 million were capitalized and remain unamortized as at June 30, 2017. These costs will be amortized over the term of the Bridging Credit Facility.

As at June 30, 2017, DATA had outstanding borrowings of $20.7 million and letters of credit granted of $1.1 million under the Bank Credit Facility, and outstanding borrowings of $23.9 million under the IAM IV Credit Facility, outstanding borrowings of $5.3 million under the IAM III Credit Facility and outstanding borrowings of $3.5 million under the Bridging Credit Facility. Under the Bank Credit Facility, DATA had access to $12.2 million of available credit at June 30, 2017.

During the three months ended June 30, 2016, DATA amended the terms of the IAM IV Credit Agreement to adjust the calculation of the working capital ratio (“First Amended IAM IV Credit Agreement”).

In connection with the acquisitions of Eclipse and Thistle on January 31, 2017, DATA amended its Bank Credit Agreement (the "First Amended Bank Credit Agreement") and IAM IV Credit Agreement (the "Second Amended IAM IV Credit Agreement"). On May 30, 2017, the Bank Credit Agreement was further amended to adjust the fixed charge coverage ratio (the "Second Amended Bank Credit Agreement") and on June 28, 2017, the Bank Credit Agreement was amended a third time (the "Third Amended Bank Credit Agreement") in connection with the establishment of the Bridging Credit Facility.

Pursuant to the First Amended Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility increased from up to $25.0 million to up to $35.0 million and the extension of the term of the amended Bank Credit Facility increased by one year, to March 31, 2020. The amount available under the term portion of the amended Bank Credit Facility (the "Bank Term Facility") was increased from $5.0 million to $7.0 million. The maturity on the Bank Term Facility originally was the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the amended Bank Credit Agreement, with monthly principal repayments of $208.0 thousand. Pursuant to the First Amended Bank Credit Agreement, beginning March 31, 2017 through until March 31, 2020, the Bank Term Facility would be amortized in equal monthly payments of $194.0 thousand, however pursuant to the Third Amended Bank Credit Agreement, the amortization period was subsequently adjusted to equal monthly installments of $0.4 million being paid beginning July 31, 2017 until May 31, 2018. Payments on the Bank Term Facility will not reduce the amount available under the revolving credit facility. On June 28, 2017, DATA repaid $2.0 million of the outstanding borrowings under the Bank Term Facility.

Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. Pursuant to the Third Amended Bank Credit Agreement, the interest on the Bank Term Facility was amended to a rate based upon the Canadian prime rate plus an applicable margin of 2.25%. The increased availability under the amended Bank Credit Facility was used, in part, together with the additional availability under the Bank Term Facility, to finance the up-front cash components of the Eclipse and Thistle acquisitions and related transaction expenses and to provide DATA with additional flexibility to continue to pursue its strategic growth objectives. In connection with these two acquisitions, DATA’s indebtedness increased by approximately $16.3 million, including assumed indebtedness of Eclipse and Thistle.

Under the terms of the Second Amended IAM IV Credit Agreement, the maximum aggregate principal amount which may be outstanding at any time under the IAM IV Credit Facility, the IAM III Credit Facility and the amended Bank Credit Facility, calculated on a consolidated basis in accordance with IFRS ("Senior Funded Debt"), was increased from $50.0 million to $72.0 million (after giving effect to the provisions of the inter-creditor agreement described below).

DATA has capitalized transaction costs of $0.9 million related to the amended Bank Credit Facility, including $0.3 million of additional costs incurred as a result of the Second and Third Amended Bank Credit Agreements during the period ended June 30, 2017. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at June 30, 2017, the unamortized transaction costs related to this facility were $0.7 million. As at June 30, 2017, all of DATA's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 3.45% per annum and all of DATA's indebtedness outstanding under the Bank Term Facility was subject to a floating interest rate of 4.95% per annum.

DATA has capitalized transaction costs of $0.8 million related to the amended IAM IV Credit Facility, including $0.1 million of additional costs incurred as a result of the amendment during the period ended June 30, 2017. The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. As at June 30, 2017, the unamortized transaction costs related to the amended IAM IV Credit Facility were $0.6 million. As at June 30, 2017, the unamortized transaction costs related to the IAM III Credit Facility were $34.0 thousand. As at June 30, 2017, all of DATA's indebtedness outstanding under the IAM III Credit Facility and the amended IAM IV Credit Facility was subject to a fixed interest rate equal to 6.91% per annum and 6.95% per annum, respectively. The principal amount of the IAM III Credit Facility amortizes in equal monthly payments over an eight year term ending in October 15, 2022. The amended IAM IV Credit Facility matures on March 10, 2023.

Each of the amended Bank Credit Agreement, the amended IAM IV Credit Agreement, the IAM III Credit Agreement and Bridging Credit Agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the Common Shares without the consent of the Bank, IAM III, IAM IV and Bridging, as applicable.

Under the terms of the IAM Credit Agreements, DATA must maintain (i) a ratio of Senior Funded Debt to EBITDA of not greater than the following levels: from the date of the advance up to March 31, 2017 - 3.25 to 1; from April 1, 2017 up to March 31, 2018 - 3.00 to 1; and on and after April 1, 2018 - 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. Pursuant to the First Amended IAM IV Credit Agreement, during the quarter ended June 30, 2016, the terms of the IAM IV Credit Agreement were amended to exclude the aggregate principal amount of outstanding 6.00% Convertible Debentures from current liabilities for the purposes of calculating the working capital ratio for the period from June 29, 2016 to June 30, 2017. Furthermore, as a result of the Second Amended IAM IV Credit Agreement on January 31, 2017, the pro forma financial results for Eclipse and Thistle are now included on a trailing twelve and eighteen month basis, as applicable, effective as of the closing date of the acqusitions for the purposes of DATA's covenant calculations. In addition, on March 9, 2017, IAM consented, effective the quarter ending March 31, 2017, to modify the calculation of debt service coverage ratio under the provisions of the amended IAM IV Credit Agreement to include EBITDA (as defined in the IAM IV Credit Agreement) for the six most recently completed fiscal quarters (previously four most recently completed quarters) less income taxes actually paid in cash and the amount of capital expenditures actually incurred or paid during such period up to the amount permitted under this agreement, divided by the aggregate of (i) scheduled principal plus interest payments on the amended IAM IV Credit Facility and IAM III Credit Facility and (ii) projected interest payments on the amended Bank Credit Facility for the next six quarters (previously the four most recently completed quarters). On May 11, 2017, DATA received consent from IAM, effective the quarter ending June 30, 2017, to modify the calculation of the Senior Funded Debt to EBITDA ratio under the provisions of the amended IAM IV Credit Agreement and the IAM III Credit Agreement to include EBITDA for the six most recently completed fiscal quarters multiplied by 2/3 (previously the four most recently completed quarters).

As at June 30, 2017, the ratio of Senior Funded Debt to EBITDA was 2.51, the debt service coverage ratio was 2.54 and the working capital current ratio was 1.16 (after giving effect to the Third Amended IAM IV Agreement described below). As at June 30, 2017, DATA was in compliance with these covenants with exception to the working capital current ratio. As a result of the Bridging Credit Facility that was established on June 28, 2017 being repayable within one year, and the Bank Term Facility being concurrently amended with the establishment of the Bridging Credit Facility whereby the outstanding balance as of June 30, 2017 will be repaid by May 31, 2018 pursuant to the Third Amended Bank Credit Agreement, the Bridging Credit Facility in the amount of $3.5 million and the outstanding balance of the Bank Term Facility of $4.2 million were classified as current liabilities in the consolidated statement of financial position as at June 30, 2017. Consequently, the working capital current ratio was not met. On August 4, 2017, the IAM Credit Agreements were amended ("Third Amended IAM IV Agreement") whereby the working capital current ratio was changed to 1.1 to 1 effective June 30, 2017, thereby resulting in DATA's lenders confirming there is no event of default. Given that the amendments were entered into subsequent to June 30, 2017, the long–term portion of the Bank Credit Facility for $16,444, the amended IAM IV Credit Facility for $20,436 and the IAM III Credit Facility for $4,397 were reclassified to current liabilities in DATA's consolidated statement of financial position as at June 30, 2017. DATA expects to be compliant with its covenants going forward and, accordingly, it expects that the long-term portion of DATA's senior credit facilities will be reclassified to long-term in future periods.

Under the terms of the Bank Credit Agreement, DATA must maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DATA to service its outstanding debt for such period. As a result of the First Amended Bank Credit Agreement on January 31, 2017, the pro forma financial results for Eclipse and Thistle are now included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DATA's covenant calculations. Pursuant to the Second Amended Bank Credit Agreement on May 30, 2017, for the period commencing April 30, 2017 and ending September 30, 2017, the fixed charge coverage ratio was amended to not less than 1.0 to 1.0, on a consolidated basis, in respect of any particular trailing twelve month period. As at June 30, 2017, the fixed charge coverage ratio was 1.19.

A failure by DATA to comply with its obligations under any of the amended Bank Credit Agreement, the amended IAM Credit Agreements or the Bridging Credit Agreement, together with certain other events, including a change of control of DATA and a change in DATA's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM III and IAM IV, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. Based on its 2017 operating plan, DATA anticipates it will be in compliance with the covenants in its credit facilities throughout 2017; however there can be no assurance that DATA will be successful in achieving the results targeted in its operating plan for the 2017 fiscal year.

DATA's obligations under the amended Bank Credit Facility, the amended IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DATA and its affiliates. On February 22, 2017, DATA entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the “VTB Noteholders”) issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DATA, Eclipse and Thistle. On June 28, 2017, the inter-creditor agreement was further amended to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility.

Market conditions and DATA's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DATA from time to time or upon the maturity of the amended Bank Credit Facility, the amended IAM IV Credit Facility, the IAM III Credit Facility, the Bridging Credit Facility or other indebtedness of DATA.

As at June 30, 2017, DATA had a bank overdraft of $1.0 million compared to cash and cash equivalents of $1.5 million at December 31, 2016. Under the terms of the amended IAM IV Credit Agreement, DATA is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility. As at June 30, 2017, there was a balance of $0.4 million in the blocked account, which is recognized as restricted cash in DATA's consolidated statements of financial position.

In assessing DATA’s liquidity requirements, DATA 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 credit facilities, 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 restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures, and debt repayment obligations. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DATA’s products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DATA’s operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DATA’s ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

PENSION FUNDING OBLIGATIONS

DATA maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. DATA's preliminary minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 is $1.3 million. DATA's final minimum funding obligations for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 and future years will be determined based on the actuarial valuation as at January 1, 2017, which will be completed within the first nine months of 2017.

Pension legislation related to DATA's minimum cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies for the defined benefit provision of the DATA Communications Management Pension Plan have recently been revised. In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The announcement indicated that transitional rules would be forthcoming to assist plan sponsors prior to the full reforms being implemented. The regulations supporting the transitional measures were enacted into legislation in June 2017 and allow plan administrators whose next filed valuation report is dated on or after December 31, 2016 and before December 31, 2017 to elect to defer the start of new solvency special payments by up to 24 months instead of the usual 12 months. DATA is the process of finalizing its plans to take advantage of these favourable pension funding rules changes.

CASH FLOW FROM OPERATIONS

During the three months ended June 30, 2017, cash flows generated by operating activities were $3.9 million compared to cash flows generated by operating activities of $7.9 million during the same period in 2016. $3.3 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with $4.7 million in 2016. Current period cash flows from operations were positively impacted by the acquisitions of Eclipse and Thistle however, this was offset by a $1.5 million increase in SG&A expenses over the prior year comparative period, in addition to lower revenue from DATA's core business. Changes in working capital during the three months ended June 30, 2017 generated $2.7 million in cash compared with $5.5 million in the prior year primarily due to an increase in inventory on hand and a decrease in deferred revenue which was partially offset by an increase in accounts payables due to the timing of payments to suppliers for purchases and a decrease in accounts receivable. In addition, $1.7 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $1.6 million of payments in 2016. Contributions made to the Company's pension plans were $0.5 million, which was unchanged from the prior year.

During the six months ended June 30, 2017, cash flows generated by operating activities were $2.3 million compared to cash flows generated by operating activities of $10.1 million during the same period in 2016. $4.7 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with $10.4 million in 2016. Current period cash flows from operations were positively impacted by the acquisitions of Eclipse and Thistle however, this was offset by a $2.1 million increase in SG&A expense over the prior year comparative period, in addition to lower revenues from DATA's core business. Changes in working capital during the six months ended June 30, 2017 generated $1.8 million in cash compared with $5.0 million in the prior year primarily due to an increase in inventory on hand which was partially offset by an increase in accounts payables due to the timing of payments to suppliers for purchases and a decrease in accounts receivable. In addition, $3.3 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $4.1 million of payments in 2016. Contributions made to the Company's pension plans were $0.9 million, which was unchanged from the prior year.

INVESTING ACTIVITIES

During the three months ended June 30, 2017, $1.7 million in cash flows were used for investing activities compared with $0.3 million during the same period in 2016. In 2017, $0.8 million of cash was used to invest in label equipment with digital capabilities, digital press equipment and the relocation of certain sales offices. In 2017, $0.8 million of cash was used primarily related to investments in DATA's ERP project.

During the six months ended June 30, 2017, $6.6 million in cash flows were used for investing activities compared with $0.9 million during the same period in 2016. In 2017, $0.9 million of cash was used to invest in label equipment with digital capabilities, digital press equipment and the relocation of certain sales offices. In 2017, $1.1 million of cash was used related primarily related to investments in DATA's ERP project. In 2017, $4.6 million of cash was used to acquire the businesses of Eclipse and Thistle.

FINANCING ACTIVITIES

During the three months ended June 30, 2017, cash flow used for financing activities was $5.0 million compared to cash flow used for financing activities of $7.4 million during the same period in 2016. DATA used net cash received from the issuance of common shares and warrants of $8.1 million and cash from advances under its credit facilities totaling $3.5 million and to repay $4.0 million in outstanding principal amounts under its credit facilities and to repay the 6.00% Convertible Debentures outstanding principal amount totaling $11.2 million. DATA also repaid a total of $0.9 million related to the post-closing adjustments and promissory note related to the acquisitions of Eclipse and Thistle. DATA also incurred $0.3 million of transaction costs related to the amendments to its senior credit facilities during the three months ended June 30, 2017.

During the six months ended June 30, 2017, cash flow generated by financing activities was $1.9 million compared to cash flow used for financing activities of $9.1 million during the same period in 2016. DATA used net cash received from the issuance of common shares and warrants of $8.1 million and cash from advances under its credit facilities totaling $17.1 million to repay a total of $2.4 million to settle the outstanding balance on certain equipment leases that were assumed upon the acquisition of Eclipse, $7.6 million in outstanding principal amounts under its credit facilities, to settle certain debt assumed upon the acquisition of Eclipse and Thistle on February 22, 2017, and to repay the 6.00% Convertible Debentures outstanding principal amount totalling $11.2 million. DATA also repaid a total of $1.1 million related to the post-closing adjustment for Eclipse and the promissory note related to the acquisition of Thistle. Lastly, DATA incurred $0.6 million of transaction costs related to the amendments to its senior credit facilities during the six months ended June 30, 2017.

Outstanding share data

At August 8, 2017, June 30, 2017 and December 31, 2016, there were 19,334,735, 19,263,235 and 11,975,053 Common Shares outstanding, respectively.

On June 28, 2017, DATA completed a Private Placement and issued 2,690,604 Units, with each Unit consisting of one Common Share and one-half of a Warrant at a price per Unit of $1.40 for gross proceeds of $3.8 million. Among this, 550,650 Units were issued to directors and officers of DATA for total proceeds of $0.8 million. Each full Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at an exercise price of $1.75 for a period of two years from the closing of the Private Placement. The exercise price is subject to adjustment for certain capital events, as described in the warrant certificate, to preserve the relative rights of the existing shareholders of Common Shares and the Warrant holders. In addition, if the volume- weighted average price of the Common Shares on the TSX equals or exceeds $2.75 for 20 consecutive trading days, DATA has the right (the "Acceleration Right") to accelerate the expiry date of the Warrants to a date that is 30 days from the date on which DATA notifies the Warrant holders of its intent to exercise the Acceleration Right. The Common Shares, Warrants and Warrant Shares are subject to a statutory hold period expiring four months and one day after the closing of the Private Placement. DATA issued a total of 2,690,604 additional Common Shares pursuant to the Private Placement (before giving effect to the exercise of any Warrants) and 1,345,300 Warrants pursuant to the Private Placement which were also outstanding as of June 30, 2017. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of $3.8 million by the relative fair values of each component on closing of the Private Placement. The fair value of the Warrants issued was estimated to be $0.3 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.04%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period. The fair value of the Common Shares issued was $3.4 million, based on the closing market price of the shares on closing of the Private Placement. This was adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was $3.4 million and the proceeds allocated to the Warrants was $0.3 million, net of transaction costs totaling $38.0 thousand.

On July 13, 2017, DATA completed a second closing of the Private Placement to a director of DATA for 71,500 Units, raising additional gross proceeds of $0.1 million. The value of the 71,500 Common Shares and 35,750 Warrants issued were $93.0 thousand and $7.0 thousand, respectively, based on an allocation of the gross proceeds of $0.1 million by the relative fair values of each component of the second closing of the Private Placement, net of transaction costs totaling $7.0 thousand.

On June 23, 2017, DATA completed a Rights Offering which was conducted by way of a rights offering circular ("Circular"). Under the offering, DATA issued 3,312,368 Common Shares at a price of $1.40 per share for gross proceeds of $4.6 million. Among this, 1,090,727 Common Shares were issued to directors, officers and related parties of DATA for total gross proceeds of $1.5 million. Under the terms of the Rights Offering, each eligible shareholder ("Eligible Holder") on record as of May 31, 2017 (the "Record Date") received one right ("Right") for each Common Share held as of the Record Date. Every two Rights entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $1.40 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $0.3 million which were classified net of the Common Shares issued under the Rights Offering.

On May 5, 2017, 6,502 Common Shares were issued in connection with the net settlement of 19,505 stock options at an exercise price of $1.50 per Common Share and the net amount was recorded in contributed surplus in DATA's consolidated statement of changes in equity (deficit).

On February 22, 2017, a total of 1,278,708 Common Shares were issued to the vendors as partial consideration for the purchase of the assets of Eclipse and the purchase of the shares of Thistle. Each of those vendors have entered into a lock-up agreement with DATA, pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to those sale transactions until February 22, 2018.

On July 4, 2016, DATA completed the Share Consolidation and consolidated its issued and outstanding Common Shares on the basis of one post-consolidation Common Share for each 100 pre-consolidation Common Shares.

On May 31, 2016, DATA completed a portion of a non-brokered private placement and issued a total of 1,678,567 Common Shares at a price of $1.40 per Common Share, of which 357,150 were purchased by the CEO of DATA. On July 4, 2016, following receipt of disinterested shareholder approval at the annual and special meeting of DATA's shareholders held on June 30, 2016, DATA completed the remaining portion of the private placement and issued an additional 308,958 Common Shares to a minority interest shareholder (the "Minority Shareholder") at a price of $1.40 per Common Share pursuant to the exercise of anti-dilution rights held by the Minority Shareholder. The total number of Common Shares issued as a result of the private placement was 1,987,525 or approximately 19.9% of the current number of outstanding Common Shares on May 27, 2016.

At August 8, 2017, there were options outstanding to purchase up to 811,463 Common Shares. During the year ended December 31, 2016, the Board approved awards of options to purchase up to 987,011 Common Shares to the executive management team of DATA pursuant to the terms of DATA`s existing long-term incentive plan. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.50 per share, representing the fair value of the Common Shares on the date of grant. A total of 499,377 options were awarded to DATA's CEO and vested on June 23, 2016 and a total of 487,634 options were awarded to the other members of DATA's executive management team and vest at a rate of 1/24th per month beginning on June 23, 2016. During the year ended December 31, 2016, options to purchase 39,011 Common Shares were forfeited. During the quarter ended June 30, 2017, options to purchase 63,392 Common Shares were forfeited and 19,505 options were exercised. Subsequent to the quarter ended June 30, 2017, options to purchase 53,640 Common Shares were forfeited.

During 2015, the Board approved the award of options to purchase up to 11,745 Common Shares to the CEO of DATA pursuant to the terms of DATA's existing long-term incentive plan which were granted on April 16, 2015 with an exercise price of $75 per share. During the six months ended June 30, 2017, all of these options were forfeited.

At August 8, 2017, there were Warrants outstanding to purchase up to 1,381,050 Common Shares outstanding.

Contractual obligations

DATA believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at June 30, 2017. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

DATA believes that its existing cash resources and projected cash flows from operations will be sufficient to fund its currently projected operating requirements and that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

Summary of eight quarter results

TABLE 5 The following table summarizes quarterly financial information for the past eight quarters.

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

	2017		2016				2015	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$73,066**	**$ 70,126**	$ 68,191	$ 65,842	$ 69,716	$ 74,614	$ 81,010	$ 74,116
Net income (loss) attributable to shareholders	**(581)**	**(2,097)**	(33,115)	(1,865)	991	1,882	13,405	(1,763)
Basic earnings (loss) per share	**(0.04)**	**(0.17)**	(2.77)	(0.16)	0.09	0.19	11.27	(7.51)
Diluted earnings (loss) per share	**(0.04)**	**(0.17)**	(2.77)	(0.15)	0.09	0.19	11.27	(7.51)

The variations in DATA's quarterly revenues and net income (loss) over the eight quarters ended June 30, 2017 can be attributed to several principal factors: the acquisitions of Eclipse and Thistle, revenue declines in DATA's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses and business reorganization costs related to DATA's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DATA's key plants, gain on partial redemption of its 6.00% Convertible Debentures, lower interest expense as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015, non-cash goodwill impairment charges and business acquisition costs.

DATA's net income for the second quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.7 million related to its cost reduction initiatives. DATA's net loss for the second quarter of 2016 included $0.4 million of restructuring expense related to its cost reduction initiatives.

DATA's net loss for the first quarter of 2017 included restructuring expenses of $1.9 million related to its cost reduction initiatives and business acquisition costs of $1.0 million. DATA incurred $0.3 million of restructuring expenses in the first quarter of 2016.

DATA's net loss for the fourth quarter of 2016 included restructuring expenses of $1.7 million and $1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment of goodwill of $31.1 million related to its DATA CM cash generating unit ("CGU"). DATA's net income for the fourth quarter of 2015 included restructuring expenses of $1.5 million and a gain on partial redemption of its 6.00% Convertible Debentures of $12.8 million.

DATA's net loss for the third quarter of 2016 included restructuring expenses of $1.8 million related to its cost reduction initiatives. There were $5.8 million of restructuring expenses in the third quarter of 2015.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are outlined in notes 2 and 3 of the Notes to the condensed interim consolidated financial statements of DATA for the six months ended June 30, 2017. DATA adopt the following new accounting policies:

(i) On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no impact on DATA's condensed consolidated interim financial statements as a result of the amendments.

(ii) On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of the amendment will result in additional disclosures in the year-end financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

DATA has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or the amendments to these standards is ongoing.

(i) IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. It further introduces a single, forward looking 'expected loss' impairment model for financial assets. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

(ii) Amendments to IFRS 7 *Financial Instruments: Disclosure* were issued in September 2014. This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. DATA is currently evaluating the impact of the amendments to the standard on its consolidated financial statements.

(iii) IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA has begun its preliminary analysis to evaluate the implications of this new standard, in addition to reviewing customer sales contracts. The extent of the impact of the adoption of IFRS 15 has not yet been determined.

(iv) An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. DATA does not expect this amendment to have a significant impact on its consolidated financial statements.

(v) IFRS 16 *Leases* was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early application permitted. DATA 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.

Critical accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that are not readily apparent from other sources about the carrying amounts of assets and liabilities, and reporting of income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method, and their operating results are included in the consolidated financial statements as of the acquisition date. The consideration transferred is the total fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by DATA and contingent considerations, on the acquisition date, in exchange for control of the acquired entity. The excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The transaction costs attributable to the acquisition are recognized in the statement of operations when they are incurred.

If the agreement includes a contingent consideration, it is measured at fair value as of the acquisition date and added to the consideration transferred, and a liability for the same amount is recognized. Any subsequent change to the fair value of the contingent consideration will be recognized in the statement of operations.

If the initial recognition of the business combination is incomplete when the financial statements are issued for the period during which the acquisition occurred, DATA records a provisional amount for the items for which measurement is incomplete. Adjustments to the original recognition of the business combination will be recorded as an adjustment to the assets acquired and liabilities assumed during the measurement period, and the adjustments must be applied retroactively. The measurement period is the period from the acquisition date to the date on which DATA has received complete information on the facts and circumstances that existed as of the acquisition date.

If a business combination is achieved in stages, DATA reassesses the share it held previously in the acquiree at fair value at the acquisition date and includes the gain or loss resulting, if any, to the statement of operations.

In the case of a business combination of less than 100%, a non-controlling interest is measured, either at fair value or at the non-controlling interest's share of the net identifiable assets of the acquiree. The basis of measurement is determined on a transaction-by-transaction basis.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, assumed financial liabilities, among other items. These estimates have been discussed further below.

Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of equipment, computer hardware, furniture, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

Intangible Assets

The fair value of trade names acquired in a business combination is based on the incremental discounted estimated cash flows enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets were based on the depreciated replacement cost approach which reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Financial Liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management's report on internal controls over financial reporting

DATA'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 for external purposes in accordance with IFRS.

In accordance with the provisions of the National Instrument 52-109- "Certification of the Disclosure in Issuers' Annual and Interim Filings", DATA's management has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Eclipse and Thistle. The scope limitation is primarily based on the time required to assess each recently acquired company's disclosure controls and procedures and internal controls over financial reporting in a manner consistent with the DATA's other operations.

Excluding the controls, policies and procedures of Eclipse and Thistle, DATA's management has determined that there have been no changes in the internal controls over financial reporting of DATA during the period beginning on April 1, 2017 and ending on June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA.

For a summary of certain financial information about the Eclipse and Thistle business acquired by the Company, see "Recent Developments - Post-integration of Eclipse and Thistle acquisitions".

Outlook

Financial results for the second quarter of 2017 show modest improvement over the first quarter of the year after the inclusion of full quarter results for Thistle and Eclipse for the three months ended June 30, 2017. While DATA's core business experienced some softness in sales during the second quarter of 2017, consistent with the secular declines experienced by the industry, the contribution of full quarter revenue and greater than expected growth from Eclipse and Thistle, offset this shortfall. As noted previously, cross-selling opportunities and cost savings from synergies gained from the Eclipse and Thistle acquisitions are materializing as planned. Gross margin was 24.6% for the second quarter of 2017 in comparison to 23.3% in the first quarter of the year. DATA expects the positive contributions from Eclipse and Thistle to continue going forward.

DATA has taken active steps to refine its positioning in the marketing communications and print business segment. Several strategic initiatives have been implemented to improve customer profitability, build wallet share in its existing customer base and position DATA as a provider of a unique suite of superior solutions. Early results are promising, and the Company has been developing a healthy pipeline of new business wins within its existing customer base together with new customer acquisitions which are expected to translate into improved sales and higher margins progressively over the balance of 2017 and into 2018.

With the integration of Eclipse and Thistle substantially completed, DATA is actively pursuing other target acquisitions it sees in its markets which leverage its key competencies and/or bring new capabilities. It is expected that the Company will continue to be active on this front to deliver further growth and widen its footprint in the business and marketing solutions space.

DATA also continues to identify opportunities to further deleverage its balance sheet. The 6.00% Convertible Debentures that were settled on June 30, 2017, with an aggregate principal amount of $11.2 million plus interest of $0.3 million, was a significant step in this direction. The Company is exploring various financing options that will facilitate new acquisitions, further pay down outstanding debt and provide additional funds for future working capital needs. In addition, DATA continues to seek out further operational efficiencies within its business to bolster profitability and generate higher cash flows.

DATA is encouraged by its sales funnel and the opportunities ahead of it. Despite having a robust new business pipeline, the sales and onboarding process is slow and is taking longer than the Company had anticipated. At the same time, DATA's core enterprise and financial institutions business has experienced larger declines than previously anticipated. Nonetheless, DATA is cautiously optimistic about the balance of 2017 and its sales pipeline of new initiatives converting through 2018. As a result, DATA is revising its financial guidance for fiscal 2017 to a range of between $18.0 million and $20.0 million of full year non-IFRS adjusted EBITDA. As part of establishing the above guidance, the Company made the following assumptions:

- Economic conditions in North America will not deteriorate
- Print revenues in DATA's core business will continue to decline consistent with trends experienced by the industry
- The Company will be able to translate its pipeline of sales into new customer acquisitions and higher wallet share from its existing customer base
- The structural and leadership changes to the sales team, and the several strategic initiatives implemented to date to further enhance sales, will result in improved customer profitability and higher revenues
- The acquisitions of Eclipse and Thistle will generate additional revenue from cross-selling opportunities gained and will also improve profitability through synergies in cost savings
- Further operational efficiencies and cost savings will result from additional cost management and/or restructuring initiatives

DATA cautions that the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate. Accordingly, actual results may differ materially from expectations as set forth above. The guidance provided above should be read in conjunction with, as is qualified by, the section Forward-looking Statements beginning on page 1 of the August 8, 2017 MD&A.

It is expected that the financial performance of the Company will improve in the second half of the year as DATA begins to realize the benefit of the various growth initiatives currently underway.

Risks and uncertainties

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

Consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)		**June 30, 2017**		December 31, 2016
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**—**	$	1,544
Trade receivables (note 5)		**34,909**		29,157
Inventories (note 6)		**37,928**		33,252
Prepaid expenses and other current assets		**4,727**		4,667
		77,564		68,620
NON-CURRENT ASSETS				
Deferred income tax assets (note 10)		**5,323**		3,839
Restricted cash (note 8)		**425**		425
Property, plant and equipment (note 4)		**18,427**		12,483
Pension assets		**—**		1,589
Intangible assets (note 4)		**13,005**		3,954
Goodwill (note 4)		**7,321**		—
	$	**122,065**	$	90,910
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	**$**	**989**	$	—
Trade payables and accrued liabilities		**35,049**		27,304
Current portion of credit facilities (note 8)		**51,913**		5,886
Convertible debentures (note 9)		**—**		11,082
Current portion of promissory notes (note 4)		**3,515**		—
Provisions (note 7)		**3,527**		3,305
Income taxes payable		**2,927**		2,231
Deferred revenue		**8,858**		8,665
		106,778		58,473
NON-CURRENT LIABILITIES				
Provisions (note 7)		**944**		675
Credit facilities (note 8)		**—**		29,156
Promissory notes (note 4)		**2,946**		—
Deferred income tax liabilities (note 10)		**1,409**		—
Other non-current liabilities (note 11)		**2,413**		1,691
Pension obligations		**8,212**		8,340
Other post-employment benefit plans		**2,620**		2,510
	$	**125,322**	$	100,845
EQUITY				
SHAREHOLDERS' DEFICIT				
Shares (note 12)	**$**	**248,094**	$	237,432
Warrants (note 12)		**280**		—
Conversion options		**—**		128
Contributed surplus (note 12)		**1,336**		1,164
Accumulated other comprehensive income		**184**		258
Deficit		**(253,151)**		(248,917)
	$	**(3,257)**	$	(9,935)
	$	**122,065**	$	90,910

Approved by Board of Directors


Director


Director

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the three months ended June 30, 2017**		For the three months ended June 30, 2016
REVENUES	**$**	**73,066**	$	69,716
COST OF REVENUES		**55,062**		52,567
GROSS PROFIT		**18,004**		17,149
EXPENSES				
Selling, commissions and expenses		**8,690**		7,664
General and administration expenses		**7,025**		6,594
Restructuring expenses (note 7)		**1,735**		368
Acquisition costs (note 4)		**13**		—
		17,463		14,626
INCOME BEFORE FINANCE COSTS AND INCOME TAXES		**541**		2,523
FINANCE COSTS (INCOME)				
Interest expense		**1,181**		869
Interest income		**—**		(1)
Amortization of transaction costs		**121**		109
		1,302		977
(LOSS) INCOME BEFORE INCOME TAXES		**(761)**		1,546
INCOME TAX (RECOVERY) EXPENSE				
Current		**288**		1,156
Deferred		**(468)**		(601)
		(180)		555
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(581)**	$	991
BASIC (LOSS) EARNINGS PER SHARE (note 13)	**$**	**(0.04)**	$	0.09
DILUTED (LOSS) EARNINGS PER SHARE (note 13)	**$**	**(0.04)**	$	0.09

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the six months ended June 30, 2017**		For the six months ended June 30, 2016
REVENUES	**$**	**143,192**	$	144,330
COST OF REVENUES		**108,828**		108,808
GROSS PROFIT		**34,364**		35,522
EXPENSES				
Selling, commissions and expenses		**17,208**		16,179
General and administration expenses		**13,531**		12,417
Restructuring expenses (note 7)		**3,621**		692
Acquisition costs (note 4)		**969**		—
		35,329		29,288
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES		**(965)**		6,234
FINANCE COSTS (INCOME)				
Interest expense		**2,131**		1,737
Interest income		**—**		(4)
Amortization of transaction costs		**236**		356
		2,367		2,089
(LOSS) INCOME BEFORE INCOME TAXES		**(3,332)**		4,145
INCOME TAX (RECOVERY) EXPENSE				
Current		**339**		1,332
Deferred		**(993)**		(60)
		(654)		1,272
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(2,678)**	$	2,873
BASIC (LOSS) EARNINGS PER SHARE (note 13)	**$**	**(0.20)**	$	0.28
DILUTED (LOSS) EARNINGS PER SHARE (note 13)	**$**	**(0.20)**	$	0.28

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 three months ended June 30, 2017**		For the three months ended June 30, 2016
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(581)**	$	991
OTHER COMPREHENSIVE (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME				
Foreign currency translation		**(56)**		(8)
		(56)		(8)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME				
Re-measurements of post-employment benefit obligations		**(758)**		(1,096)
Taxes related to post-employment adjustment above		**197**		286
		(561)		(810)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**$**	**(617)**	$	(818)
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**$**	**(1,198)**	$	173

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, 2017**	For the six months ended June 30, 2016
NET (LOSS) INCOME FOR THE PERIOD	**$ (2,678)**	$ 2,873
OTHER COMPREHENSIVE LOSS:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME		
Foreign currency translation	**(74)**	(117)
	(74)	(117)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME		
Re-measurements of post-employment benefit obligations	**(2,103)**	(2,145)
Taxes related to post-employment adjustment above	**547**	560
	(1,556)	(1,585)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**$ (1,630)**	$ (1,702)
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**$ (4,308)**	$ 1,171

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

Consolidated statements of changes in equity (deficit)

(in thousands of Canadian dollars, unaudited)	Shares	Warrants	Conversion options	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity (deficit)
Balance as at December 31, 2015	$ 234,782	$ —	$ 128	$ 385	$ 306	$ (216,582)	$ 19,019
Net income for the period	—	—	—	—	—	2,873	2,873
Other comprehensive (loss) income for the period	—	—	—	—	(117)	(1,585)	(1,702)
Total comprehensive (loss) income for the period	—	—	—	—	(117)	1,288	1,171
Issuance of common shares (note 12)	2,280	—	—	—	—	—	2,280
Share-based compensation expense	—	—	—	576	—	—	576
Balance as at June 30, 2016	$ 237,062	$ —	$ 128	$ 961	$ 189	$ (215,294)	$ 23,046
BALANCE AS AT DECEMBER 31, 2016	**$ 237,432**	**$ —**	**$ 128**	**$ 1,164**	**$ 258**	**$ (248,917)**	**$ (9,935)**
Net loss for the period	—	—	—	—	—	**(2,678)**	**(2,678)**
Other comprehensive loss for the period	—	—	—	—	**(74)**	**(1,556)**	**(1,630)**
Total comprehensive loss for the period	—	—	—	—	**(74)**	**(4,234)**	**(4,308)**
Cancellation of convertible debentures (note 9)	—	—	**(128)**	**128**	—	—	—
Issuance of common shares and warrants, net (note 12)	**10,662**	**280**	—	**(15)**	—	—	**10,927**
Share-based compensation expense	—	—	—	**59**	—	—	**59**
BALANCE AS AT JUNE 30, 2017	**$ 248,094**	**$ 280**	**$ —**	**$ 1,336**	**$ 184**	**$ (253,151)**	**$ (3,257)**

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, 2017**	For the three months ended June 30, 2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income for the period	**$ (581)**	$ 991
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	**1,058**	1,134
Amortization of intangible assets	**906**	510
Share-based compensation expense	**7**	576
Pension expense (note 16)	**135**	147
Loss on disposal of property, plant and equipment	**42**	7
Provisions (note 7)	**1,735**	368
Amortization of transaction costs	**121**	109
Accretion of convertible debentures and non-current liabilities	**219**	21
Other non-current liabilities	**(248)**	267
Other post-employment benefit plans, net	**55**	62
Income tax (recovery) expense	**(180)**	555
	3,269	4,747
Changes in working capital (note 14)	**2,721**	5,478
Contributions made to pension plans	**(453)**	(459)
Provisions paid (note 7)	**(1,653)**	(1,622)
Income taxes paid	**(5)**	(263)
	3,879	7,881
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(811)**	(171)
Purchase of intangible assets	**(846)**	(127)
Proceeds on disposal of property, plant and equipment	**2**	6
	(1,655)	(292)
FINANCING ACTIVITIES		
Decrease in restricted cash	**—**	25
Issuance of common shares and warrants, net (note 12)	**8,080**	2,280
Proceeds from credit facilities (note 8)	**3,500**	—
Repayment of credit facilities (note 8)	**(4,003)**	(9,622)
Repayment of convertible debentures (note 9)	**(11,175)**	—
Repayment of loan payable	**(166)**	(56)
Repayment of promissory notes (note 4)	**(935)**	—
Finance and transaction costs (note 8)	**(288)**	(15)
Finance lease payments	**(18)**	(7)
	(5,005)	(7,395)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**(2,781)**	194
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$ 1,838**	$ 815
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**(46)**	(6)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – END OF PERIOD	**$ (989)**	$ 1,003

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, 2017**	For the six months ended June 30, 2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income for the period	**$ (2,678)**	$ 2,873
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	**1,943**	2,249
Amortization of intangible assets	**1,599**	1,015
Share-based compensation expense	**59**	576
Pension expense (note 16)	**270**	295
Loss on disposal of property, plant and equipment	**22**	189
Provisions (note 7)	**3,621**	692
Amortization of transaction costs	**236**	356
Accretion of convertible debentures and non-current liabilities	**317**	43
Other non-current liabilities	**(118)**	671
Other post-employment benefit plans, net	**110**	126
Income tax (recovery) expense	**(654)**	1,272
	4,727	10,357
Changes in working capital (note 14)	**1,836**	5,036
Contributions made to pension plans	**(912)**	(918)
Provisions paid (note 7)	**(3,340)**	(4,061)
Income taxes paid	**(5)**	(268)
	2,306	10,146
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(948)**	(823)
Purchase of intangible assets	**(1,079)**	(151)
Proceeds on disposal of property, plant and equipment	**22**	124
Cash consideration for acquisition of businesses (note 4)	**(4,638)**	—
	(6,643)	(850)
FINANCING ACTIVITIES		
Increase in restricted cash	**—**	(425)
Issuance of common shares and warrants, net (note 12)	**8,069**	2,280
Proceeds from credit facilities (note 8)	**17,089**	43,931
Repayment of credit facilities (note 8)	**(7,601)**	(53,446)
Repayment of convertible debentures (note 9)	**(11,175)**	—
Repayment of loans payable	**(455)**	(80)
Repayment of promissory notes (note 4)	**(1,064)**	—
Finance and transaction costs (note 8)	**(605)**	(1,341)
Finance lease payments	**(2,400)**	(18)
	1,858	(9,099)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**(2,479)**	197
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$ 1,544**	$ 871
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**(54)**	(65)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – END OF PERIOD	**$ (989)**	$ 1,003

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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2017 and 2016

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

1 General Information

DATA Communications Management Corp. ("DATA") is a leading provider of business communication solutions, bring value and collaboration to marketing and operation teams in companies across North America. DATA helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications management processes. DATA derives its revenues from the following core capabilities: direct marketing, commercial print services, labels and automated identification solutions, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. DATA is strategically located across Canada to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois.

DATA’s revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DATA’s revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

The common shares of DATA are listed on the Toronto Stock Exchange (“TSX”) under the symbol “DCM”. DATA's outstanding 6.00% Convertible Unsecured Subordinated Debentures (the “6.00% Convertible Debentures”) were listed on the TSX under the symbol “DCM.DB”. The address of the registered office of DATA is 9195 Torbram Road, Brampton, Ontario.

2 Basis of presentation and significant accounting policies

DATA 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’s consolidated financial statements for the year ended December 31, 2016, except for any new accounting pronouncements which have been adopted. Where applicable, DATA 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, 2017, as issued and outstanding as of August 8, 2017, the date the Board of Directors approved these financial statements. Any subsequent changes to IFRS that are given effect in DATA’s annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DATA’s consolidated annual financial statements for the year ended December 31, 2016 which have been prepared in accordance with IFRS, as issued by the IASB.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method, and their operating results are included in the consolidated financial statements as of the acquisition date. The consideration transferred is the total fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by DATA and contingent considerations, on the acquisition date, in exchange for control of the acquired entity. The excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The transaction costs attributable to the acquisition are recognized in the statement of operations when they are incurred.

If the agreement includes a contingent consideration, it is measured at fair value as of the acquisition date and added to the consideration transferred, and a liability for the same amount is recognized. Any subsequent change to the fair value of the contingent consideration will be recognized in the statement of operations.

If the initial recognition of the business combination is incomplete when the financial statements are issued for the period during which the acquisition occurred, DATA records a provisional amount for the items for which measurement is incomplete. Adjustments to the original recognition of the business combination will be recorded as an adjustment to the assets acquired and liabilities assumed during the measurement period, and the adjustments must be applied retroactively. The measurement period is the period from the acquisition date to the date on which DATA has received complete information on the facts and circumstances that existed as of the acquisition date.

If a business combination is achieved in stages, DATA reassesses the share it held previously in the acquiree at fair value at the acquisition date and includes the gain or loss resulting, if any, to the statement of operations.

In the case of a business combination of less than 100%, a non-controlling interest is measured, either at fair value or at the non-controlling interest's share of the net identifiable assets of the acquiree. The basis of measurement is determined on a transaction-by-transaction basis.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, assumed financial liabilities, among other items. These estimates have been discussed further below.

Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of equipment, computer hardware, furniture, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

Intangible Assets

The fair value of trade names acquired in a business combination is based on the incremental discounted estimated cash flows enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets were based on the depreciated replacement cost approach which reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Financial Liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3 Change in accounting policies

(a) New and amended standards adopted

(i) On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no impact on DATA's condensed consolidated interim financial statements as a result of the amendments.

(ii) On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of the amendment will result in additional disclosures in the year-end financial statements.

(b) Future accounting standards not yet adopted.

(i) IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. It further introduces a single, forward looking 'expected loss' impairment model for financial assets. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

(ii) Amendments to IFRS 7 *Financial Instruments: Disclosure* were issued in September 2014. This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. DATA is currently evaluating the impact of the amendments to the standard on its consolidated financial statements.

(iii) IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA has begun its preliminary analysis to evaluate the implications of this new standard, in addition to reviewing customer sales contracts. The extent of the impact of the adoption of IFRS 15 has not yet been determined.

(iv) An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. DATA does not expect this amendment to have a significant impact on its consolidated financial statements.

(v) IFRS 16 *Leases* was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early application permitted. DATA 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.

4 Business acquisitions

ECLIPSE COLOUR AND IMAGING CORP.

On February 22, 2017 (the “Closing Date”), DATA acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company, with approximately 100 employees operating in an 80,000 square foot facility located in Burlington, Ontario. The acquisition of Eclipse has added significantly expanded wide format, large format, and grand format printing capabilities to DATA's portfolio of products and services, with Eclipse having a product mix focused on in-store print, outdoor, transit, display, packaging, kitting and fulfilment capabilities.

DATA acquired the assets of Eclipse for a purchase price of $8,914 before giving effect to post-closing adjustments for changes in working capital and bank indebtedness, net of cash, based on the final statement of financial position as of the Closing Date. The purchase price was satisfied as follows on the Closing Date: $3,534 in cash, $1,418 through the issuance of 634,263 common shares of DATA ("Common Shares"), and $3,962 through the issuance of a secured, non-interest bearing vendor take-back promissory note, which is payable in two equal instalments on each of the first and second anniversaries of the Closing Date. During the three months ended June 30, 2017, the total post-closing adjustments to the purchase price were finalized and paid to the vendor for $550.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the Closing Date of $2.63 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the Closing Date. The fair value of the vendor take-back promissory note was determined by present valuing the future cash flows using a discount rate of 10% which represents management’s best estimate based on financial instruments with a similar term and risk profile in the market.

On the Closing Date, DATA also advanced $3,220 to settle Eclipse’s bank indebtedness, equipment leases and amounts payable to the former owners pre-acquisition, in addition to paying $311 for related transaction costs.

Total cash advanced on the Closing Date was $7,065, which was used to finance the up-front cash component of the acquisition, settle the above noted debt and pay for related transaction costs, and was funded with the increased availability under DATA’s existing bank credit facilities (see note 8 for further details related to DATA’s bank credit facilities).

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

The consideration paid and the final allocation of the consideration to the fair values of the assets acquired and liabilities assumed in the acquisition as of the Closing Date were as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed		Amount
Cash and cash equivalents	$	632
Trade receivables		4,641
Inventories		972
Prepaid expense and other assets		145
Property, plant and equipment		5,245
Intangible assets		3,700
Trade payables and accrued liabilities		(3,352)
Deferred revenue		(45)
Unfavorable lease obligation		(210)
Credit facilities		(668)
Capital lease obligations		(2,421)
Other non-current liabilities		(11)
Total identifiable net assets		**8,628**
Goodwill		**836**
Total	**$**	**9,464**

Purchase price consideration		Amount
Cash	$	4,084
Common shares		1,418
Promissory notes		3,962
Total	**$**	**9,464**

The fair value of trade receivables is $4,641. The gross contractual amount of trade receivables due is $4,656 of which $15 was deemed uncollectible.

The identifiable intangible assets acquired primarily relate to customer relationships which will be amortized over an expected useful life of seven years.

Goodwill of $836 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is tax deductible.

Total acquisition-related costs incurred were $553 of which $528 and $25 was charged to the consolidated statement of operations for the six months ended June 30, 2017 and December 31, 2016, respectively.

The revenue and net income contributed by Eclipse and included in the consolidated statement of operations for the three months ended June 30, 2017 were $6,704 and $815 (six months ended June 30, 2017 – $9,427 and $1,178), respectively. If the acquisition had occurred on January 1, 2017, the estimated revenue and net income contributed by Eclipse to DATA's operating results for the six months ended June 30, 2017 would have been approximately $12,985 and $1,459, respectively, adjusting net income for additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2017.

THISTLE PRINTING LIMITED

On February 22, 2017, DATA acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company with approximately 65 employees operating in a 42,000 square foot facility located in Toronto, Ontario, from Capri Media Group Inc. ("Capri"). Capri is a related party of DATA by virtue of the fact that companies controlled by the President of DATA and the Chair of the Board of DATA, respectively, control Capri. The acquisition of Thistle provides DATA with a full service commercial print facility in Eastern Canada and enables DATA to expand its margins by insourcing commercial printing capabilities which it has historically outsourced to local tier two suppliers. This acquisition adds expertise in commercial printing, design, prepress and bindery services to DATA's portfolio, and complements DATA's current capabilities in direct mail, fulfilment and data management.

DATA acquired the shares of Thistle for a purchase price of approximately $5,327 which includes the estimated post-closing adjustments for changes in working capital, based on the final statement of financial position as of the Closing Date. The purchase price was satisfied as follows on the Closing Date: $1,104 in cash, $1,440 through the issuance of 644,445 Common Shares, and $2,783 through the issuance of a secured, non-interest bearing vendor take-back promissory note, which is payable in 24 equal monthly payments from the Closing Date. The total post-closing adjustment to the purchase price is estimated to be a decrease of $412, which is subject to final approval by the vendor, and has been reflected as a reduction in the principal amount of the vendor take-back promissory note.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the Closing Date of $2.63 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the Closing Date. The fair value of the vendor take-back promissory note was determined by present valuing the future cash flows using a discount rate of 10% which represents management's best estimate based on financial instruments with a similar term and risk profile in the market.

On the Closing Date, DATA also advanced $1,942 to settle Thistle's bank indebtedness and amounts payable to the former owners of Thistle.

Total cash advanced on the Closing Date was $3,046, which was used to finance the up-front cash component of the acquisition and settle the above noted debt, and was funded with the increased availability under DATA's existing bank credit facilities.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2017 and 2016

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

The consideration paid and the final allocation of the consideration to the fair values of the assets acquired and liabilities assumed in the acquisition as of the Closing Date were as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed		**Amount**
Cash and cash equivalents	$	37
Trade receivables		2,569
Inventories		885
Prepaid expense and other assets		890
Property, plant and equipment		1,743
Intangible assets		5,871
Trade payables and accrued liabilities		(2,460)
Income taxes payable		(647)
Deferred revenue		(459)
Deferred income tax liabilities		(1,464)
Credit facilities		(7,130)
Capital lease obligations		(60)
Other non-current liabilities		(933)
Total identifiable net liabilities		**(1,158)**
Goodwill		**6,485**
Total	**$**	**5,327**

Purchase price consideration		**Amount**
Cash	$	1,104
Common shares		1,440
Promissory notes		2,783
Total	**$**	**5,327**

The fair value of trade receivables is $2,569. The gross contractual amount of trade receivables due is $2,594 of which $25 was deemed to be uncollectible.

The identifiable intangible assets acquired primarily relate to customer relationships which will be amortized over an expected useful life of seven years.

Goodwill of $6,485 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is not tax deductible.

Total acquisition-related costs incurred were $483 of which $440 and $43 was charged to the consolidated statement of operations for the six months ended June 30, 2017 and December 31, 2016, respectively.

The revenue and net income contributed by Thistle and included in the consolidated statement of operations for the three months ended June 30, 2017 were $4,236 and $448 (six months ended June 30, 2017 – $6,042 and $391), respectively. If the acquisition had occurred on January 1, 2017, the estimated revenue and net income contributed by Thistle to DATA's operating results for the six months ended June 30, 2017 would have been approximately $8,387 and

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

$531, respectively, adjusting net income for additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2017.

The valuation report and the finalization of the post-closing adjustments for the Thistle acquisition is still in progress, and therefore the purchase price allocation is preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material.

The valuation report for Eclipse is still in progress and therefore the purchase price allocation is preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material.

The movement in promissory notes from February 22, 2017 to June 30, 2017 and their presentation in the consolidated statement of financial position as at June 30, 2017 are as follows:

	Eclipse acquisition	Thistle acquisition	Total
Balance - February 22, 2017	$ 3,962	$ 2,783	$ 6,745
Post-closing adjustment	550	—	550
Unwinding of discount	142	88	230
Payment	(550)	(514)	(1,064)
Balance - End of period	$ 4,104	$ 2,357	$ 6,461
Less: Current portion of promissory notes	(2,148)	(1,367)	(3,515)
As at June 30, 2017	$ 1,956	$ 990	$ 2,946

5 Trade receivables

	June 30, 2017	December 31, 2016
Trade receivables	$ 35,186	$ 29,597
Provision for doubtful accounts	(277)	(440)
	$ 34,909	$ 29,157

6 Inventories

	June 30, 2017	December 31, 2016
Raw materials	$ 5,668	$ 3,774
Work-in-progress	3,318	2,940
Finished goods	28,942	26,538
	$ 37,928	$ 33,252

Raw materials and finished goods inventory amounts are net of obsolescence reserves of $473 (2016 – $360). The cost of inventories recognized as an expense within cost of revenues for the three months ended June 30, 2017 was $53,081 (2016 – $49,458) and for the six months ended June 30, 2017 was $104,356 (2016 – $102,636).

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

7 Provisions

	Restructuring	Onerous contracts	Other	Total
Balance – Beginning of period	**$ 3,462**	**$ 719**	**$ 208**	**$ 4,389**
Additional charge during the three month period	**1,466**	**269**	**—**	**1,735**
Utilized during the three month period	**(1,478)**	**(172)**	**(3)**	**(1,653)**
Balance – End of period	**$ 3,450**	**$ 816**	**$ 205**	**$ 4,471**
Less: Current portion of provisions	**(2,952)**	**(560)**	**(15)**	**(3,527)**
As at June 30, 2017	**$ 498**	**$ 256**	**$ 190**	**$ 944**

	Restructuring	Onerous contracts	Other	Total
Balance – Beginning of period	**$ 2,773**	**$ 1,207**	**$ —**	**$ 3,980**
Additional charge during the six month period	**3,652**	**(31)**	**—**	**3,621**
Charge related to an acquisition	**—**	**—**	**210**	**210**
Utilized during the six month period	**(2,975)**	**(360)**	**(5)**	**(3,340)**
Balance – End of period	**$ 3,450**	**$ 816**	**$ 205**	**$ 4,471**
Less: Current portion of provisions	**(2,952)**	**(560)**	**(15)**	**(3,527)**
As at June 30, 2017	**$ 498**	**$ 256**	**$ 190**	**$ 944**

	Restructuring	Onerous contracts	Other	Total
Balance – Beginning of year	$ 4,614	$ 2,592	$ —	$ 7,206
Additional charge during the year	3,771	429	—	4,200
Utilized during the year	(5,612)	(1,814)	—	(7,426)
Balance – End of year	$ 2,773	$ 1,207	$ —	$ 3,980
Less: Current portion of provisions	(2,571)	(734)	—	(3,305)
As at December 31, 2016	$ 202	$ 473	$ —	$ 675

RESTRUCTURING

During the three and six months ended June 30, 2017, DATA continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the three and six months ended June 30, 2017, these initiatives resulted in $1,466 and $3,652, respectively, of restructuring expenses due to headcount reductions in the consolidated statement of operations and comprehensive income (loss). During the three and six months ended June 30, 2016, these initiatives resulted in $368 and $692, respectively, of restructuring expenses due to headcount reductions across DATA's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations and comprehensive income (loss).

For the three months ended June 30, 2017, cash payments of $1,478 (2016 - $1,150) and for the six months ended June 30, 2017, cash payments of $2,975 (2016 - $2,903) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $3,450 at June 30, 2017 are expected to be paid in the balance of 2017, in 2018 and in 2019.

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For the periods ended June 30, 2017 and 2016

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

ONEROUS CONTRACTS

During the three months ended June 30, 2017, DATA closed a Regina, Saskatchewan facility. A lease exit charge of $269, representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2018.

During the year ended December 31, 2016, DATA closed a Richmond Hill, Ontario facility. A lease exit charge of $429, representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2019. During the six months ended June 30, 2017, DATA entered into a sub-lease for this facility for the remainder of the term of the lease agreement and recorded a recovery of $300.

OTHER

In connection with the acquisition of Eclipse, on February 22, 2017, DATA assumed the lease for its Burlington, Ontario facility with rent payments that exceeded the fair market value and as a result an unfavourable lease obligation for $210 was recorded based on discounting the rent payments in excess of the fair market value lease rates using a discount rate of 7%. The unfavourable lease obligation will be amortized as a reduction of rent expense in the consolidated statement of operations over the lease term, expiring in 2026.

8 Credit facilities

		June 30, 2017		December 31, 2016
Term loans				
- floating rate debt, maturing May 31, 2018	**$**	**4,222**	$	2,920
- floating rate debt, maturing June 28, 2018		**3,500**		—
- 6.10% term debt, maturing October 15, 2022		**5,258**		—
- 6.95% term debt, maturing March 10, 2023		**23,945**		25,611
Revolving facilities				
- floating rate debt, maturing March 31, 2020		**16,444**		7,514
Credit facilities		**53,369**		36,045
Unamortized transaction costs		**(1,456)**		(1,003)
	$	**51,913**	$	35,042
Less: Current portion of Credit facilities		**(51,913)**		(5,886)
Credit facilities	**$**	**—**	$	29,156

In March 2016, DATA established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM IV Credit Facility") with Integrated Private Debt Fund IV LP ("IAM IV") a loan managed by Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DATA and the Bank (the "Bank Credit Agreement") and IAM (as amended, the "IAM IV Credit Agreement"), respectively. Approximately $43,250 of the total principal amount available to DATA under the IAM IV Credit Agreement and the Bank Credit Agreement was used to fully repay indebtedness owing by it under the senior credit facilities previously maintained by DATA with a syndicate of Canadian chartered banks.

During the quarter ended June 30, 2016, DATA amended the terms of the IAM IV Credit Agreement to adjust the calculation of the working capital ratio ("First Amended IAM IV Credit Agreement").

In connection with the acquisitions of Eclipse and Thistle on January 31, 2017, DATA amended its Bank Credit Agreement (the "First Amended Bank Credit Agreement") and IAM IV Credit Agreement (the "Second Amended IAM IV Credit Agreement"). On May 30, 2017, the Bank Credit Agreement was further amended to adjust the fixed charge coverage ratio (the "Second Amended Bank Credit Agreement") and on June 28, 2017, the Bank Credit Agreement was amended a third time (the "Third Amended Bank Credit Agreement") in connection with the establishment of a new credit facility (the "Bridging Credit Agreement")with Bridging Finance Inc. ("Bridging"), as described in further detail below.

Pursuant to the First Amended Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility increased from up to $25,000 to up to $35,000. The increased availability was used in part, together with the additional availability under the amended Bank Term Facility (as described below), to finance the up-front cash components and settle certain debt assumed related to the Eclipse and Thistle acquisitions, pay for related acquisition costs and also provides DATA with additional flexibility to continue to pursue its strategic growth objectives. The term on the Bank Credit Facility originally had a maturity on the earlier of March 10, 2019 and the date on which the facility is terminated pursuant to the Bank Credit Agreement. This was extended by one year, to March 31, 2020 per the First Amended Bank Credit Agreement. A portion of the Bank Credit Facility consists of a non-revolving term credit facility (the "Bank Term Facility") as well as a committed treasury facility pursuant to which the Bank may, in its sole discretion, agree to enter into non-speculative hedging arrangements, subject to certain restrictions. As per the First Amendment Agreement, the principal amount available under the Bank Term Facility was increased to $7,000, an increase from $5,000 under the original sub facility. The maturity on the Bank Term Facility originally was the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement, with monthly principal repayments of $208. Pursuant to the First Amended Bank Credit Agreement, beginning March 31, 2017 through until March 31, 2020, the Bank Term Facility would be amortized in equal monthly payments of $194, however pursuant to the Third Amended Bank Credit Agreement, the amortization period was subsequently adjusted to equal monthly instalments of $400 being paid beginning July 31, 2017 until May 31, 2018. On June 28, 2017, DATA repaid $2,000 of the outstanding borrowings under the Bank Term Facility.

Principal payments made on the Bank Term Facility do not reduce the total available principal amount under the Bank Credit Facility. Advances under the amended Bank Credit Facility may not, at any time, exceed the lesser of $35,000 and a fixed percentage of DATA's aggregate accounts receivable and inventory (less certain amounts). The Bank Term Facility is a sub facility of the amended Bank Credit Facility and is available by way of a single advance and its availability is not based on DATA's accounts receivable or inventories. Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. Pursuant to the Third Amended Bank Credit Agreement, the interest on the Bank Term Facility was amended to a rate based upon the Canadian prime rate plus an applicable margin of 2.25%. DATA has capitalized transaction costs of $948 related to the Bank Credit Facility, including $323 of new costs incurred as a result of the Second and Third Amended Bank Credit Agreements during the period ended June 30, 2017. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at June 30, 2017, the unamortized transaction costs related to the amended Bank Facility were $675. As at June 30, 2017 there were outstanding borrowings of $16,444 under the revolving facilities portion of the amended Bank Credit Facility, outstanding borrowings of $4,222 under the amended Bank Term Facility and letters of credit granted of $1,132. As at June 30, 2017, all of DATA's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 3.45% per annum and all of DATA's indebtedness outstanding under the Bank Term Facility was subject to a floating interest rate of 4.95% per annum. DATA had access to $12,246 of available credit under the amended Bank Credit Facility at June 30, 2017.

Integrated Private Debt Fund III LP ("IAM III"), another loan managed by IAM, was a senior secured lender to Thistle. An existing term loan in an original principal amount of $8,000 was being amortized in equal monthly payments over an eight year term ending on October 15, 2022, with a fixed interest rate of 6.1% per annum ("IAM III Credit Facility"). In connection with the Thistle acquisition, on February 22, 2017, an amendment was made to the IAM III Credit Facility whereby DATA became a co-borrower with Thistle, pursuant to which the covenants were amended to match those of DATA under its IAM IV Credit Facility and reported on a consolidated basis. There were no other changes to the terms of the IAM III Credit Facility. As at February 22, 2017 and June 30, 2017, Thistle had outstanding borrowings of $5,533 and $5,258 under the IAM III Credit Facility, respectively. As at June 30, 2017, the unamortized transaction costs related to the IAM III Credit Facility were $34.

Pursuant to the Second Amended IAM IV Credit Agreement, the maximum aggregate principal amount which may be outstanding under the IAM IV Credit Facility, the IAM III Credit Facility and the amended Bank Credit Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Senior Funded Debt"), can not exceed $72,000 (after giving effect to the provisions of the inter-creditor agreement described below). This was an increase from $50,000 under the original term loan facility dated March 10, 2016. The IAM IV Credit Facility matures on March 10, 2023 and has a maximum available principal amount of $28,000. Indebtedness outstanding under the IAM IV Credit Facility bears interest at a fixed rate equal to 6.95% per annum. Under the terms of the Second Amended IAM IV Credit Agreement, which remain unchanged per the original term loan facility dated March 10, 2016, DATA is required to make mandatory blended equal monthly repayments of principal and interest such that, on maturity, advances under the IAM IV Credit Facility and applicable interest on those advances will have been fully repaid. Monthly blended principal and interest repayments of $422 and an April 2016 blended principal and interest repayment of $448 cannot be reborrowed. In addition, under the terms of the IAM IV Credit Agreement, DATA is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM IV Credit Facility. This requirement did not change as a result of the Second Amended IAM IV Credit Agreement. As at June 30, 2017, there was a balance of $425 in the blocked account which is recognized as restricted cash on the consolidated statement of financial position. Furthermore, DATA has capitalized transaction costs of $812, including $147 of additional costs incurred as a result of the amendment during the period ended June 30, 2017 related to the amended IAM IV Credit Facility which is being amortized over the term of this facility. As at June 30, 2017, the unamortized transaction costs and outstanding borrowings related to this facility were $614 and $23,945, respectively.

Each of the amended Bank Credit Agreement, the amended IAM IV Credit Agreement and the IAM III Credit Agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DATA without the consent of the Bank, IAM III and IAM IV, as applicable. Under the terms of the IAM Credit Agreements, DATA has agreed that it will not, without the prior written consent of IAM III and IAM IV, change (or permit any change) in its Chief Executive Officer, President or Chief Financial Officer, provided that, if he or she voluntarily resigns as an officer of DATA, or if any such person has either died or is disabled and can therefore no longer carry on his or her duties of such office, DATA will have 60 days to replace such officer, such replacement officer to be satisfactory to IAM III and IAM IV, acting reasonably. The amended Bank Credit Facility limits spending on capital expenditures by DATA to an aggregate amount not to exceed $5,500 during any fiscal year, and the amended IAM IV Credit Agreement limits the incurrence of capital expenditures to no more than $5,000 in any fiscal year.

Under the terms of the IAM Credit Agreements, DATA must maintain (i) a ratio of Senior Funded Debt to EBITDA (as defined below) of not greater than the following levels: from the date of the advance up to March 31, 2017 - 3.25 to 1; from April 1, 2017 up to March 31, 2018 - 3.00 to 1; and on and after April 1, 2018 - 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. Pursuant to the First Amended IAM IV Credit Agreement, during the quarter ended June 30, 2016, the terms of the IAM IV Credit Agreement were amended to exclude the aggregate principal amount of the 6.00% Convertible Debentures from current liabilities for the purposes of calculating the working capital ratio for the period from June 29, 2016 to June 30, 2017. Furthermore, as a result of the Second Amended IAM IV Credit Agreement on January 31, 2017, the pro forma financial results for Eclipse and Thistle are now included on a trailing twelve and eighteen month basis, as applicable, effective as of the Closing Date for the purposes of DATA's covenant calculations. On March 9, 2017, IAM consented, effective the quarter ending March 31, 2017, to modify the calculation of the debt service coverage ratio under the provisions of the amended IAM IV Credit Agreement to include EBITDA for the six most recently completed fiscal quarters (previously four most recently completed quarters) less income taxes actually paid in cash and the amount of capital expenditures actually incurred or paid during such period up to the amount permitted under this agreement, divided by the aggregate of i) scheduled principal plus interest payments on the IAM IV Credit Facility and IAM III Credit Facility (as described below) and ii) projected interest payments on the amended Bank Credit Facility for the next six quarters (previously the four most recently completed quarters). In addition, on May 11, 2017, DATA received consent from IAM, effective the quarter ending June 30, 2017, to modify the calculation of the Senior Funded Debt to EBITDA ratio under the provisions of the amended IAM IV Credit Agreement and the IAM III Credit Agreement to include EBITDA for the six most recently completed fiscal quarters multiplied by 2/3 (previously the four most recently completed quarters).

As at June 30, 2017, DATA was in compliance with these covenants with exception to the working capital current ratio. On August 4, 2017, the IAM Credit Agreements were amended ("Third Amended IAM IV Agreement") whereby the working capital current ratio was changed to 1.1 to 1 effective June 30, 2017, thereby resulting in DATA's lenders confirming there is no event of default. Given that the amendments were entered into subsequent to June 30, 2017, the long–term portion of the Bank Credit Facility for $16,444, the amended IAM IV Credit Facility for $20,436 and the IAM III Credit Facility for $4,397 were reclassified to current liabilities in the consolidated statement of financial position as at June 30, 2017.

For purposes of the Bank Credit Agreement and the IAM Credit Agreements, "EBITDA" means net income or net loss for the relevant period, calculated on a consolidated basis in accordance with generally accepted accounting principles, plus amounts deducted, or minus amounts added, in calculating net income or net loss in respect of: the aggregate expense incurred for interest on debt and other costs of obtaining credit; income taxes, whether or not deferred; depreciation and amortization; non-cash expenses resulting from employee or management compensation, including the grant of stock options or restricted options to employees; any gain or loss attributable to the sale, conversion or other disposition of property out of the ordinary course of business; interest or dividend income; foreign exchange gain or loss; gains resulting from the write-up of property and losses resulting from the write-down of property (except allowances for doubtful accounts receivable and non-cash reserves for obsolete inventory); any gain or loss on the repurchase or redemption of any securities (including in connection with the early retirement or defeasance of any debt); goodwill and other intangible asset write-downs; and any other extraordinary, non-recurring or unusual items as agreed to by the lender.

Under the terms of the Bank Credit Agreement, DATA must maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing twelve month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DATA to service its outstanding debt for such period. As a result of the First Amended Bank Credit Agreement on January 31, 2017, the pro forma financial results for Eclipse and Thistle are now included on a trailing twelve month basis effective as of the Closing Date for the purposes of DATA's covenant calculations. Pursuant to the Second Amended Bank Credit Agreement on May 30, 2017, for the period commencing April 30, 2017 and ending September 30, 2017, the fixed charge coverage ratio was amended to not less than 1.0 to 1.0, on a consolidated basis, in respect of any particular trailing twelve month period. As at June 30, 2017, DATA was in compliance with this covenant.

On June 28, 2017, DATA established a non-revolving credit facility with Bridging for $3,500 (the "Bridging Credit Facility") to enable the Company to repay the convertible debentures (note 9). Advances under the Bridging Credit Facility are repayable on demand and bear interest at a rate equal to the prime rate of interest charged by DATA's Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility has a term of one year and can be repaid at any time without any repayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DATA's other senior lenders. The Bridging Credit Facility is subordinated in right of payment to the prior payment in full of DATA's indebtedness under the amended Bank Credit Agreement and the IAM Credit Agreements and is secured by certain specified equipment together with certain other conventional security. The Bridging Credit Facility limits spending on capital expenditures by DATA to an aggregate amount not to exceed $5,500 during any fiscal year. Transaction costs of $134 were capitalized and remain unamortized as at June 30, 2017. These costs will be amortized over the term of the Bridging Credit Facility.

A failure by DATA to comply with its obligations under the amended Bank Credit Agreement , the amended IAM Credit Agreements or the Bridging Credit Agreement, together with certain other events, including a change of control of DATA and a change in DATA's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM III and IAM IV, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. Based on its 2017 operating plan, DATA anticipates it will be in compliance with the covenants in its credit facilities throughout 2017; however there can be no assurance that DATA will be successful in achieving the results targeted in its operating plan for the 2017 fiscal year.

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DATA's obligations under the amended Bank Credit Facility, the amended IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DATA and its affiliates. On February 22, 2017, DATA entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DATA, Eclipse and Thistle. On June 28, 2017, the inter-creditor agreement was further amended to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility.

As a result of the working capital current ratio being cured by way of the Third Amended IAM IV Credit Agreement subsequent to June 30, 2017, the long-term portion outstanding for the Bank Credit Facility, amended IAM IV Credit Facility and IAM III Credit Facility were reclassified to current liabilities. Given DATA was compliant with the working capital ratio pursuant to the Third Amended IAM IV Credit Agreement, each lender did not demand repayment of the outstanding balances prior to the respective maturities of each credit facility. Accordingly, the principal repayments on the long-term debt are as follows:

	June 30, 2017
2017	**$ 4,549**
2018	**9,842**
2019	**4,836**
2020	**21,619**
2021	**5,536**
2022 and thereafter	**6,987**
	$ 53,369

9 Convertible debentures

		June 30, 2017		December 31, 2016
6.00% Convertible Debentures, maturing June 30, 2017, interest payable in June and December, convertible at 0.841 common shares per $1,000 of debenture	**$**	**—**	$	11,129
Unamortized transaction costs		**—**		(47)
	$	**—**	$	11,082
Less: Current portion of Convertible debentures		**—**		11,082
Convertible debentures	**$**	**—**	**$**	**—**

Upon maturity on June 30, 2017, DATA settled the 6.00% Convertible Debentures with a cash payment of $11,175 plus interest of $335 which was financed with the net proceeds received from the Rights Offering (as described in further detail in Note 12 - Shares and warrants), the Private Placement (as described in further detail in Note 12 - Shares and warrants) and the Bridging Credit Facility (as described in further detail in Note 8 - Credit facilities).

The 6.00% Convertible Debentures with an aggregate principal amount of $11,175 (2016 – $11,175) bore interest at a rate of 6.00% per annum payable semi-annually, in arrears, on June 30 and December 31. The 6.00% Convertible

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Debentures were convertible into common shares of DATA ("Common Shares") at the option of the holder prior to maturity or redemption at a conversion price of $1,220 per common share (prior to the Rights Offering, as defined in Note 12 - Shares and warrants). As described in greater detail in DATA's Annual Information Form for the year ended December 31, 2016 the conversion price was subject to adjustment with the occurrence of certain events, of which the issuance of Rights (as defined in Note 12 - Shares and warrants) to shareholders to acquire Common Shares at less than 95% of the then current market price, defined as the volume-weighted average trading price per Common Share for the 20 consecutive trading days ending five days prior to the event (the "Current Market Price"), was included. Upon closing of the Rights Offering, the conversion price was adjusted to $1,189 per common share. The holders forwent the conversion option into Common Shares of DATA.

On redemption or at maturity, DATA had, at its option, and subject to regulatory approval and certain other conditions, the ability 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 Common 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 Common Shares on the date fixed for redemption or the maturity date. DATA forewent the redemption option into Common Shares.

DATA capitalized transaction costs of $2,266 related to this issuance and the amortization of these costs which was recognized over the term of the 6.00% Convertible Debentures. As at June 30, 2017, $nil (2016 – $47) of these transaction costs remain unamortized.

10 Income taxes

Deferred income 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 income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.52% (2016 – 25.28%) 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. As at June 30, 2017, DATA has non-capital loss carry-forwards of $9,016 (2016 – $6,434). The non-capital loss carry-forwards expire in varying amounts from 2033 to 2037.

Reflected in the consolidated statement of financial position as follows:		**June 30, 2017**		December 31, 2016
Deferred income tax assets	**$**	**5,323**	$	3,839
Deferred income tax liabilities		**(1,409)**		—
Net deferred income tax assets	**$**	**3,914**	$	3,839

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11 Other non-current liabilities

		June 30, 2017		December 31, 2016
Deferred lease inducement	**$**	**754**	$	793
Lease escalation liabilities		**1,749**		1,321
Bonuses payable		**1,130**		—
Loan payable		**38**		151
	$	**3,671**	$	2,265
Less: Current portion of other non-current liabilities		**(1,258)**		(574)
	$	**2,413**	$	1,691

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

In connection with the acquisition on February 22, 2017 of Thistle, DATA assumed certain liabilities related to bonuses payable to former employees of the company which will be paid in equal monthly payments until the end of October 2020. The liability was recorded at fair value based on discounting using a discount rate of 10%. The fair value of the future payments of $33 per month as of the closing date was $1,226 of which $293 was classified as current liabilities in trade payables and accrued liabilities.

DATA's operations are conducted in leased properties. DATA's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expense. Payments made under operating leases are recognized in the consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2017 to 2028.

During the year ended December 31, 2015, DATA entered into a loan payable agreement for licensed software in the amount of $368. The loan has an interest rate of 2.90% and repayments of $19 per month will be made over 20 months ending in August 2017.

12 Shares and warrants

DATA is authorized to issue an unlimited number of common shares. The common shares have a stated capital of one dollar. Each common share is entitled to one vote at any meeting of shareholders. Each holder of the common shares will be entitled to receive dividends if, as and when declared by the Board. In the event of the liquidation, dissolution, winding up of DATA or other distribution of assets of DATA among its shareholders for the purpose of winding up its affairs, the holders of the common shares will, subject to the rights of the holders of any other class of shares of DATA entitled to receive assets of DATA upon such a distribution in priority to or concurrently with the holders of the common shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

On July 4, 2016, DATA consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for each 100 pre-consolidation common shares (the "Share Consolidation"). As a result, the total number of DATA's issued and outstanding common shares were consolidated to 11,975,053 on that date. No fractional common shares were issued, and any fractional share entitlements resulting from the Share Consolidation were rounded up to the nearest whole number of common shares. All references to common shares, restricted share units and stock options in these consolidated financial statements reflect the Share Consolidation, unless specified otherwise.

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The following summarizes the change in number of issued and outstanding common shares during the periods below:

	Number of Common shares		Amount
Balance – January 1, 2017	**11,975,053**	**$**	**237,432**
Shares issued - February 22, 2017 (note 4)	**1,278,708**		**2,847**
Shares issued - May 5, 2017	**6,502**		**15**
Shares issued - June 23, 2017	**3,312,368**		**4,352**
Shares issued - June 28, 2017	**2,690,604**		**3,448**
Balance – June 30, 2017	**19,263,235**	**$**	**248,094**
Balance – January 1, 2016	9,987,528		$234,782
Shares issued - May 31, 2016	1,678,567		2,280
Balance – June 30, 2016	11,666,095	$	237,062

In connection with the acquisition of Thistle and Eclipse on February 22, 2017, DATA issued a total of 1,278,708 Common Shares to the vendors of each company as partial consideration for the fair value of the net assets acquired on the Closing Date for $2,858, net of $11 in issuance costs.

On May 5, 2017, 6,502 Common Shares were issued in connection with the net settlement of 19,505 stock options at an exercise price of $1.50 per Common Share. The net amount of $15 was recorded in contributed surplus in the consolidated statement of changes in equity (deficit).

On June 23, 2017, DATA completed a rights offering ("Rights Offering") which was conducted by way of a rights offering circular ("Circular"). Under the offering, DATA issued 3,312,368 Common Shares at a price of $1.40 per share for gross proceeds of $4,637. Among this, 1,090,727 Common Shares were issued to directors, officers and related parties of DATA for total gross proceeds of $1,527. The gross proceeds were used to finance, in part, the settlement of the 6.00% Convertible Debentures which matured on June 30, 2017. Under the terms of the Rights Offering, each eligible shareholder ("Eligible Holder") on record as of May 31, 2017 (the "Record Date") received one right ("Right") for each Common Share held as of the Record Date. Every two Rights entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $1.40 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $285 which were classified net of the Common Shares issued under the Rights Offering.

On June 28, 2017, DATA completed a non-brokered private placement offering ("Private Placement"). Pursuant to the Private Placement, DATA issued 2,690,604 units ("Units"), with each Unit consisting of one Common Share and one-half of a Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant") at a price per Unit of $1.40 for gross proceeds of $3,766. Among this, 550,650 Units were issued to directors and officers of DATA for total proceeds of $771. Each full Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at an exercise price of $1.75 for a period of two years from the closing of the Private Placement. The exercise price is subject to adjustment for certain capital events, as described in the warrant certificate, to preserve the relative rights of the existing shareholders of Common Shares and the Warrant holders. In addition, if the volume- weighted average price of the Common Shares on the TSX equals or exceeds $2.75 for 20 consecutive trading days, DATA has the right (the "Acceleration Right") to accelerate the expiry date of the Warrants to a date that is 30 days from the date on which DATA notifies the Warrant holders of its intent to exercise the Acceleration Right. The Common Shares, Warrants and Warrant Shares are subject to a statutory hold period expiring four months and one day after the closing of the Private Placement. DATA issued a total of 2,690,604 additional Common Shares (before giving effect to the exercise of any Warrants) and 1,345,300 Warrants pursuant to the Private Placement which were also outstanding as of June 30, 2017. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of $3,766 by the relative fair values of each component on closing of the Private Placement. The fair value of the Warrants issued was estimated to be $294 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.04%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period. The fair value of the Common Shares issued was $3,655, based on the closing market price of the shares on closing of the Private Placement. This was adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was $3,448 and the proceeds allocated to the Warrants was $280, net of transaction costs totaling $38. The gross proceeds of $3,766 were also used to finance, in part, the settlement of the 6.00% Convertible Debentures which matured on June 30, 2017.

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

SHARE-BASED COMPENSATION

DATA has adopted a Long-Term Incentive Plan ("LTIP") to: recruit and retain highly qualified directors, officers, employees and consultants (the "Participants"); provide Participants with an incentive for productivity and an opportunity to share in the growth and the value of DATA; and, align the interests of Participants with those of the shareholders of DATA. Awards to Participants are primarily based on the financial results of DATA and services provided. The aggregate maximum number of common shares available for issuance from DATA's treasury under the LTIP is 1,926,324 common shares or 10% of the issued and outstanding common shares of DATA. The shares to be awarded will be authorized and unissued shares.

DATA's share-based compensation plan consists of five types of awards: restricted share unit ("RSUs"), options, deferred share unit ("DSUs"), restricted shares or stock appreciation right ("SARs") awards. No DSUs, restricted shares or SARs have been granted to date.

(a) Restricted share unit ("RSU")

Under the RSU portion of the LTIP, selected employees are granted RSUs where each RSU represents the right to receive a distribution from the company in an amount equal to the fair value of one DATA common share. RSUs generally vest within three years and primarily settle in cash upon vesting.

A liability for RSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to compensation expense, as a component of costs of revenues, selling, commissions and expenses, and general and administration expenses. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

	June 30, 2017	December 31, 2016
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**29,538**	2,366
Units granted	**—**	452,371
Units forfeited	**—**	(425,199)
Units paid	**(347)**	—
Balance - end of period/year	**29,191**	29,538

Of the total outstanding RSUs at June 30, 2017, $nil (2016 – $234) have vested and are payable. The carrying amount of the liability relating to the RSUs at June 30, 2017 was $18 (2016 – $17).

During the six months ended June 30, 2017, compensation expense of $2 (2016 – $45) was recognized in the consolidated statement of operations related to RSUs granted.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2017 and 2016

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

(b) Option ("Option")

A summary of Option activities for the six months ended June 30, 2017 and the year ended December 31, 2016 is as follows:

	2017			**2016**		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of period / year	**959,745**	**$**	**2.41**	11,745	$	75.00
Granted	**—**		**—**	987,011		1.50
Forfeited	**(75,137)**		**12.99**	(39,011)		1.50
Exercised	**(19,505)**		**1.50**	—		—
Options outstanding - end of period / year	**865,103**	**$**	**1.50**	959,745	$	2.41
Exercisable	**722,063**	**$**	**1.50**	641,603	$	1.50

The outstanding options had an exercise price range as follows:

	June 30, 2017	December 31, 2016
	Number of Options	Number of Options
$75.00	**—**	11,745
$1.50	**865,103**	948,000
Options outstanding	**865,103**	959,745

During the six months ended June 30, 2017, 75,137 options awarded were forfeited and 19,505 options awarded were exercised.

During the six months ended June 30, 2017, compensation expense of $59 (2016 – $nil) was recognized in the consolidated statement of operations related to options granted.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2017 and 2016

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

13 (Loss) earnings per share

		For the three months ended June 30, 2017		For the three months ended June 30, 2016
BASIC (LOSS) EARNINGS PER SHARE				
Net (loss) income for the period attributable to common shareholders	**$**	**(581)**	$	991
Weighted average number of shares		**13,637,875**		10,559,348
Basic (loss) earnings per share	**$**	**(0.04)**	$	0.09
DILUTED (LOSS) EARNINGS PER SHARE				
Net (loss) income for the period attributable to common shareholders	**$**	**(581)**	$	991
Weighted average number of shares		**13,637,875**		10,586,957
Diluted (loss) earnings per share	**$**	**(0.04)**	$	0.09

		For the six months ended June 30, 2017		For the six months ended June 30, 2016
BASIC (LOSS) EARNINGS PER SHARE				
Net (loss) income for the period attributable to common shareholders	**$**	**(2,678)**	$	2,873
Weighted average number of shares		**13,079,515**		10,273,438
Basic (loss) earnings per share	**$**	**(0.20)**	$	0.28
DILUTED (LOSS) EARNINGS PER SHARE				
Net (loss) income for the period attributable to common shareholders	**$**	**(2,678)**	$	2,873
Weighted average number of shares		**13,079,515**		10,287,242
Diluted (loss) earnings per share	**$**	**(0.20)**	$	0.28

DATA's 6.00% Convertible Debentures were settled on June 30, 2017 and therefore were excluded from the computation of diluted earnings per share. Options to purchase up to 865,103 common shares and warrants to purchase up to 1,345,300 common shares where the market price of the common shares was higher than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

The prior year loss per share calculations have been retroactively adjusted to reflect the Share Consolidation. See note 12.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2017 and 2016

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

14 Changes in working capital

		For the three months ended June 30, 2017		For the three months ended June 30, 2016
Trade receivables	**$**	**947**	$	1,804
Inventories		**(442)**		701
Prepaid expenses and other current assets		**411**		(424)
Trade payables and accrued liabilities		**3,858**		1,558
Deferred revenue		**(2,053)**		1,839
	$	**2,721**	$	5,478

		For the six months ended June 30, 2017		For the six months ended June 30, 2016
Trade receivables	**$**	**1,446**	$	7,545
Inventories		**(2,837)**		(733)
Prepaid expenses and other current assets		**691**		(126)
Trade and accrued liabilities		**2,843**		(1,686)
Deferred revenue		**(307)**		36
	$	**1,836**	$	5,036

15 Commitments and Contingencies

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

16 Employee benefit plans

DATA maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. DATA's preliminary minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 is $1,311. DATA's final minimum funding obligations for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 and future years will be determined based on the actuarial valuation as at January 1, 2017, which will be completed within the first nine months of 2017.

Pension legislation related to DATA's minimum cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies for the defined benefit provision of the DATA Communications Management Pension Plan have recently been revised. In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The announcement indicated that transitional rules would be forthcoming to assist plan sponsors prior to the full reforms being implemented. The regulations supporting the transitional measures were enacted into legislation in June 2017 and allow plan administrators whose next filed valuation report is dated on or after December 31, 2016 and before December 31, 2017 to elect to defer the start of new solvency special payments by up to 24 months instead of the usual 12 months. DATA is the process of finalizing its plans to take advantage of these favourable pension funding rules changes.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2017 and 2016

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

Pension expense

DATA's pension expense related to its defined benefit and defined contributions plans is as follows:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	**For the six months ended June 30, 2017**	For the six months ended June 30, 2016
Net cost recognized in general and administration expenses	**$ 81**	$ 81	**$ 162**	162
Interest costs in finance expense	**54**	66	**108**	133
Defined benefit plans	**$ 135**	$ 147	**$ 270**	$ 295
Defined contribution plans	**$ 385**	$ 369	**$ 765**	$ 763
Defined benefit multi-employer plans	**$ 197**	$ 135	**$ 350**	$ 289

Other post-employment benefit plans expense

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

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	**For the six months ended June 30, 2017**	For the six months ended June 30, 2016
Net cost recognized in general and administration expenses	**$ 62**	$ 72	**$ 124**	144
Interest costs in finance expense	**26**	25	**52**	50
Other post-employment benefit plans	**$ 88**	$ 97	**$ 176**	$ 194

17 Subsequent events

PRIVATE PLACEMENT

On July 13, 2017, DATA completed a second closing of the Private Placement to a director of DATA for 71,500 Units, raising additional gross proceeds of $100. 71,500 Common Shares and 35,750 Warrants were issued as a result of the second closing of the Private Placement. The fair value of the Warrants issued was estimated to be $6 using the Black-Scholes option-pricing model and the fair value of the Common Shares issued was $91 based on the closing market price of the shares on closing of the Private Placement, each was adjusted for a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was $93 and the proceeds allocated to the Warrants was $7, net of transaction costs totaling $7.

18 Comparative figures

Certain prior period amounts have been reclassified to conform to the current year presentation.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

J.R. Kingsley Ward [3]
Chairman, Director

William Albino [1,2,3]
Director

James J. Murray O.Ont., SIOR [1,2]
Director

Derek J. Watchorn [1,2,3]
Director

Michael G. Sifton
Director & Officer
Chief Executive Officer

James E. Lorimer
Officer
Chief Financial Officer & Corporate Secretary

EXECUTIVE TEAM

Michael G. Sifton
Chief Executive Officer

Gregory J. Cochrane
President

James E. Lorimer
Chief Financial Officer

Alan Roberts
Senior Vice-President, Operations

Judy Holcomb-Williams
Vice-President, Human Resources

Karl Spangler
Chief Technology Officer

CORPORATE INFORMATION

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Website
DATACM.COM

Toronto Stock Exchange Symbols
DCM

[1] Member, Audit Committee (Chairperson is William Albino)

[2] Member, Corporate Governance Committee (Chairperson is Derek J. Watchorn)

[3] Member, Human Resources & Compensation Committee (Chairperson is J.R. Kingsley Ward)

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