

Consolidated statements of financial position

<i>(in thousands of Canadian dollars, unaudited)</i>	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ —	\$ 1,544
Trade receivables (note 5)	35,820	29,157
Inventories (note 6)	35,792	33,252
Prepaid expenses and other current assets	4,833	4,667
	76,445	68,620
NON-CURRENT ASSETS		
Deferred income tax assets (note 10)	5,212	3,839
Restricted cash (note 8)	425	425
Property, plant and equipment (note 4)	17,734	12,483
Pension assets	2,154	1,589
Intangible assets (note 4)	13,201	3,954
Goodwill (note 4)	7,382	—
	\$ 122,553	\$ 90,910
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	\$ 1,843	\$ —
Trade payables and accrued liabilities	32,040	27,304
Current portion of credit facilities (note 8)	11,257	5,886
Convertible debentures (note 9)	—	11,082
Current portion of promissory notes (note 4)	3,692	—
Provisions (note 7)	3,187	3,305
Income taxes payable	3,058	2,231
Deferred revenue	8,195	8,665
	63,272	58,473
NON-CURRENT LIABILITIES		
Provisions (note 7)	922	675
Credit facilities (note 8)	43,062	29,156
Promissory notes (note 4)	2,673	—
Deferred income tax liabilities (note 10)	1,322	—
Other non-current liabilities (note 11)	3,452	1,691
Pension obligations	7,912	8,340
Other post-employment benefit plans	2,669	2,510
	\$ 125,284	\$ 100,845
EQUITY		
SHAREHOLDERS' DEFICIT		
Shares (note 12)	\$ 248,155	\$ 237,432
Warrants (note 12)	287	—
Conversion options	—	128
Contributed surplus (note 12)	1,302	1,164
Accumulated other comprehensive income	95	258
Deficit	(252,570)	(248,917)
	\$ (2,731)	\$ (9,935)
	\$ 122,553	\$ 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 September 30, 2017	For the three months ended September 30, 2016
REVENUES	\$ 70,212	\$ 65,842
COST OF REVENUES	53,539	51,537
GROSS PROFIT	16,673	14,305
EXPENSES		
Selling, commissions and expenses	8,766	7,676
General and administration expenses	6,603	6,268
Restructuring expenses (note 7)	1,383	1,787
Acquisition costs (note 4)	18	—
	16,770	15,731
LOSS BEFORE FINANCE COSTS AND INCOME TAXES	(97)	(1,426)
FINANCE COSTS (INCOME)		
Interest expense	1,135	838
Interest income	—	(4)
Amortization of transaction costs	141	111
	1,276	945
LOSS BEFORE INCOME TAXES	(1,373)	(2,371)
INCOME TAX (RECOVERY) EXPENSE		
Current	165	46
Deferred	(470)	(552)
	(305)	(506)
NET LOSS FOR THE PERIOD	\$ (1,068)	\$ (1,865)
BASIC LOSS PER SHARE (note 13)	\$ (0.06)	\$ (0.16)
DILUTED LOSS PER SHARE (note 13)	\$ (0.06)	\$ (0.16)

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 nine months ended September 30, 2017		For the nine months ended September 30, 2016	
REVENUES	\$	213,404	\$	210,172
COST OF REVENUES		162,367		160,345
GROSS PROFIT		51,037		49,827
EXPENSES				
Selling, commissions and expenses		25,974		23,855
General and administration expenses		20,134		18,685
Restructuring expenses (note 7)		5,004		2,479
Acquisition costs (note 4)		987		—
		52,099		45,019
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES		(1,062)		4,808
FINANCE COSTS (INCOME)				
Interest expense		3,266		2,575
Interest income		—		(8)
Amortization of transaction costs		377		467
		3,643		3,034
(LOSS) INCOME BEFORE INCOME TAXES		(4,705)		1,774
INCOME TAX (RECOVERY) EXPENSE				
Current		504		1,378
Deferred		(1,463)		(612)
		(959)		766
NET (LOSS) INCOME FOR THE PERIOD	\$	(3,746)	\$	1,008
BASIC (LOSS) EARNINGS PER SHARE (note 13)	\$	(0.25)	\$	0.09
DILUTED (LOSS) EARNINGS PER SHARE (note 13)	\$	(0.25)	\$	0.09

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

Consolidated statements of comprehensive income (loss)*(in thousands of Canadian dollars, unaudited)*

	For the three months ended September 30, 2017	For the three months ended September 30, 2016
NET LOSS FOR THE PERIOD	\$ (1,068)	\$ (1,865)
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET LOSS		
Foreign currency translation	(89)	26
	(89)	26
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS		
Re-measurements of post-employment benefit obligations	2,230	(646)
Taxes related to post-employment adjustment above	(581)	169
	1,649	(477)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	\$ 1,560	\$ (451)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 492	\$ (2,316)

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

Consolidated statements of comprehensive loss*(in thousands of Canadian dollars, unaudited)*

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
NET (LOSS) INCOME FOR THE PERIOD	\$ (3,746)	\$ 1,008
OTHER COMPREHENSIVE LOSS:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME		
Foreign currency translation	(163)	(91)
	(163)	(91)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME		
Re-measurements of post-employment benefit obligations	127	(2,791)
Taxes related to post-employment adjustment above	(34)	729
	93	(2,062)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	\$ (70)	\$ (2,153)
COMPREHENSIVE LOSS FOR THE PERIOD	\$ (3,816)	\$ (1,145)

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

Consolidated statements of changes in equity (deficit)

<i>(in thousands of Canadian dollars, unaudited)</i>								
	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	—	—	—	—	—	1,008	1,008	
Other comprehensive loss for the period	—	—	—	—	(91)	(2,062)	(2,153)	
Total comprehensive loss for the period	—	—	—	—	(91)	(1,054)	(1,145)	
Issuance of common shares (note 12)	2,650	—	—	—	—	—	2,650	
Share-based compensation expense	—	—	—	718	—	—	718	
Balance as at September 30, 2016	\$ 237,432	\$ —	\$ 128	\$ 1,103	\$ 215	\$ (217,636)	\$ 21,242	
BALANCE AS AT DECEMBER 31, 2016	\$ 237,432	\$ —	\$ 128	\$ 1,164	\$ 258	\$ (248,917)	\$ (9,935)	
Net loss for the period	—	—	—	—	—	(3,746)	(3,746)	
Other comprehensive income (loss) for the period	—	—	—	—	(163)	93	(70)	
Total comprehensive loss for the period	—	—	—	—	(163)	(3,653)	(3,816)	
Cancellation of convertible debentures (note 9)	—	—	(128)	128	—	—	—	
Issuance of common shares and warrants, net (note 12)	10,723	287	—	(15)	—	—	10,995	
Share-based compensation expense	—	—	—	25	—	—	25	
BALANCE AS AT SEPTEMBER 30, 2017	\$ 248,155	\$ 287	\$ —	\$ 1,302	\$ 95	\$ (252,570)	\$ (2,731)	

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 September 30, 2017	For the three months ended September 30, 2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	\$ (1,068)	\$ (1,865)
Adjustments to net loss		
Depreciation of property, plant and equipment	1,084	988
Amortization of intangible assets	906	517
Share-based compensation expense	(34)	142
Pension expense (note 16)	135	147
Loss on disposal of property, plant and equipment	134	49
Write-off of intangible assets	57	—
Provisions (note 7)	1,383	1,787
Amortization of transaction costs	141	111
Accretion of convertible debentures and non-current liabilities	197	21
Other non-current liabilities	1,118	(277)
Other post-employment benefit plans, net	49	64
Tax credits recognized	(125)	(124)
Income taxes recovery	(305)	(506)
	3,672	1,054
Changes in working capital (note 14)	(2,315)	(5,113)
Contributions made to pension plans	(359)	(481)
Provisions paid (note 7)	(1,745)	(1,405)
Income taxes (paid) received	(64)	57
	(811)	(5,888)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(530)	(459)
Purchase of intangible assets	(1,131)	—
Proceeds on disposal of property, plant and equipment	—	10
	(1,661)	(449)
FINANCING ACTIVITIES		
Issuance of common shares and warrants, net (note 12)	68	370
Proceeds from credit facilities (note 8)	4,145	5,601
Repayment of credit facilities (note 8)	(1,830)	(1,422)
Repayment of loan payable	(145)	(55)
Repayment of promissory notes (note 4)	(496)	—
Finance and transaction costs (note 8)	(17)	—
Finance lease payments	(16)	—
	1,709	4,494
INCREASE IN (BANK OVERDRAFT) / DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(763)	(1,843)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	\$ (989)	\$ 1,003
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	(91)	11
BANK OVERDRAFT – END OF PERIOD	\$ (1,843)	\$ (829)

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 nine months ended September 30, 2017	For the nine months ended September 30, 2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income for the period	\$ (3,746)	\$ 1,008
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	3,027	3,237
Amortization of intangible assets	2,505	1,532
Share-based compensation expense	25	718
Pension expense (note 16)	405	442
Loss on disposal of property, plant and equipment	156	238
Write-off of intangible assets	57	—
Provisions (note 7)	5,004	2,479
Amortization of transaction costs	377	467
Accretion of convertible debentures and non-current liabilities	514	64
Other non-current liabilities	1,000	394
Other post-employment benefit plans, net	159	190
Tax credits recognized	(125)	(124)
Income tax (recovery) expense	(959)	766
	8,399	11,411
Changes in working capital (note 14)	(479)	(77)
Contributions made to pension plans	(1,271)	(1,399)
Provisions paid (note 7)	(5,085)	(5,466)
Income taxes paid	(69)	(211)
	1,495	4,258
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,478)	(1,282)
Purchase of intangible assets	(2,210)	(151)
Proceeds on disposal of property, plant and equipment	22	134
Cash consideration for acquisition of businesses (note 4)	(5,188)	—
	(8,854)	(1,299)
FINANCING ACTIVITIES		
Issuance of common shares and warrants, net (note 12)	8,137	2,650
Proceeds from credit facilities (note 8)	21,234	49,532
Repayment of credit facilities (note 8)	(9,431)	(54,868)
Repayment of convertible debentures (note 9)	(11,175)	—
Repayment of loans payable	(600)	(135)
Repayment of promissory notes (note 4)	(1,010)	(425)
Finance and transaction costs (note 8)	(622)	(1,341)
Finance lease payments	(2,416)	(18)
	4,117	(4,605)
(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(3,242)	(1,646)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	\$ 1,544	\$ 871
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	(145)	(54)
BANK OVERDRAFT – END OF PERIOD	\$ (1,843)	\$ (829)

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 September 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, bringing 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 November 13, 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.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA continues to actively review its customer sales contracts and evaluate the implications of this new standard. 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 in cash 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).

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

The consideration paid and the 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 \$560 of which \$535 and \$25 was charged to the consolidated statement of operations for the nine months ended September 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 September 30, 2017 were \$6,506 and \$692 (nine months ended September 30, 2017 – \$15,933 and \$1,870), 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 nine months ended September 30, 2017 would have been approximately \$19,491 and \$2,151, respectively, adjusting net income for additional depreciation and amortization that

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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 \$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 of \$412. 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. During the three months ended September 30, 2017, the total post-closing adjustments were finalized and the purchase price was decreased by \$161 (previously \$412) 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 September 30, 2017 and 2016

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

The consideration paid and the 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	Preliminary	Adjusted	Change
Cash and cash equivalents	\$ 37	\$ 42	\$ 5
Trade receivables	2,569	2,506	(63)
Inventories	885	929	44
Prepaid expense and other assets	890	868	(22)
Property, plant and equipment	1,743	1,743	—
Intangible assets	5,871	5,899	28
Trade payables and accrued liabilities	(2,460)	(2,312)	148
Income taxes payable	(647)	(686)	(39)
Deferred revenue	(459)	(399)	60
Deferred income tax liabilities	(1,464)	(1,488)	(24)
Credit facilities	(7,130)	(7,097)	33
Capital lease obligations	(60)	(60)	—
Other non-current liabilities	(933)	(933)	—
Total identifiable net liabilities	(1,158)	(988)	170
Goodwill	6,485	6,546	61
Total	\$ 5,327	\$ 5,558	\$ 231

Purchase price consideration	Preliminary	Adjusted	Change
Cash	\$ 1,104	\$ 1,104	\$ —
Common shares	1,440	1,440	—
Promissory note	2,783	3,014	231
Total	\$ 5,327	\$ 5,558	\$ 231

The fair value of trade receivables is \$2,506. The gross contractual amount of trade receivables due is \$2,531 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 \$6,546 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 \$495 of which \$452 and \$43 was charged to the consolidated statement of operations for the nine months ended September 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 September 30, 2017 were \$4,352 and \$163 (nine months ended September 30, 2017 – \$10,360 and \$554), respectively. If the acquisition had occurred on January 1, 2017, the estimated revenue and net income

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

contributed by Thistle to DATA's operating results for the nine months ended September 30, 2017 would have been approximately \$12,705 and \$694, 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 reports for Eclipse and Thistle acquisitions are 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 September 30, 2017 and their presentation in the consolidated statement of financial position as at September 30, 2017 are as follows:

	Eclipse acquisition	Thistle acquisition	Total
Balance - February 22, 2017 (Preliminary)	\$ 3,962	\$ 2,783	\$ 6,745
Post-closing adjustment	—	231	231
Balance - February 22, 2017 (Adjusted)	\$ 3,962	\$ 3,014	\$ 6,976
Unwinding of discount	245	154	399
Payment	—	(1,010)	(1,010)
Balance - End of period	\$ 4,207	\$ 2,158	\$ 6,365
Less: Current portion of promissory notes	(2,201)	(1,491)	(3,692)
As at September 30, 2017	\$ 2,006	\$ 667	\$ 2,673

5 Trade receivables

	September 30, 2017	December 31, 2016
Trade receivables	\$ 36,058	\$ 29,597
Provision for doubtful accounts	(238)	(440)
	\$ 35,820	\$ 29,157

6 Inventories

	September 30, 2017	December 31, 2016
Raw materials	\$ 4,523	\$ 3,774
Work-in-progress	4,119	2,940
Finished goods	27,150	26,538
	\$ 35,792	\$ 33,252

Raw materials and finished goods inventory amounts are net of obsolescence reserves of \$443 (2016 – \$360). The cost of inventories recognized as an expense within cost of revenues for the three months ended September 30, 2017 was \$52,151 (2016 – \$48,472) and for the nine months ended September 30, 2017 was \$156,507 (2016 – \$151,108).

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***7 Provisions**

	Restructuring	Onerous contracts	Other	Total
Balance – Beginning of period	\$ 3,450	\$ 816	\$ 205	\$ 4,471
Additional charge during the three month period	1,383	—	—	1,383
Utilized during the three month period	(1,544)	(196)	(5)	(1,745)
Balance – End of period	\$ 3,289	\$ 620	\$ 200	\$ 4,109
Less: Current portion of provisions	(2,749)	(423)	(15)	(3,187)
As at September 30, 2017	\$ 540	\$ 197	\$ 185	\$ 922

	Restructuring	Onerous contracts	Other	Total
Balance – Beginning of period	\$ 2,773	\$ 1,207	\$ —	\$ 3,980
Additional charge during the nine month period	5,035	(31)	—	5,004
Charge related to an acquisition	—	—	210	210
Utilized during the nine month period	(4,519)	(556)	(10)	(5,085)
Balance – End of period	\$ 3,289	\$ 620	\$ 200	\$ 4,109
Less: Current portion of provisions	(2,749)	(423)	(15)	(3,187)
As at September 30, 2017	\$ 540	\$ 197	\$ 185	\$ 922

	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 nine months ended September 30, 2017, DATA continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the three and nine months ended September 30, 2017, these initiatives resulted in \$1,383 and \$5,035, respectively, of restructuring expenses due to headcount reductions in the consolidated statement of operations and comprehensive income (loss). During the three and nine months ended September 30, 2016, these initiatives resulted in \$1,358 and \$2,050, 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 September 30, 2017, cash payments of \$1,544 (2016 - \$1,067) and for the nine months ended September 30, 2017, cash payments of \$4,519 (2016 - \$3,970) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of \$3,289 at September 30, 2017 are expected to be paid in the balance of 2017, in 2018 and in 2019.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

During the nine months ended September 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 nine months ended September 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 is being amortized as a reduction of rent expense in the consolidated statement of operations over the lease term, expiring in 2026.

8 Credit facilities

	September 30, 2017	December 31, 2016
Term loans		
- floating rate debt, maturing May 31, 2018	\$ 3,422	\$ 2,920
- floating rate debt, maturing June 28, 2018	3,500	—
- 6.10% term debt, maturing October 15, 2022	5,048	—
- 6.95% term debt, maturing March 10, 2023	23,090	25,611
Revolving facilities		
- floating rate debt, maturing March 31, 2020	20,588	7,514
Credit facilities	55,648	36,045
Unamortized transaction costs	(1,329)	(1,003)
	\$ 54,319	\$ 35,042
Less: Current portion of Credit facilities	(11,257)	(5,886)
Credit facilities	\$ 43,062	\$ 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 IAM IV Credit Agreement (the "Second Amended IAM IV Credit Agreement"). On August 4, 2017, the IAM IV Credit Agreement was amended to adjust the working capital current ratio

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

(the "Third Amended IAM IV Credit Agreement") and on September 29, 2017, the IAM IV Credit Agreement was further amended to adjust the calculation and ratio applicable to the Senior Funded Debt to EBITDA covenant (as defined below) and amend the calculation of the debt service coverage ratio (the "Fourth 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"). On May 30, 2017, the Bank Credit Agreement was 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 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 (the "Third Amended Bank Credit Agreement"). On September 29, 2017 and October 20, 2017, the Bank Credit Agreement was further amended to adjust the fixed charge coverage ratio (the "Fourth Amended Bank Credit Agreement" and "Fifth Amended Bank Credit Agreement", respectively).

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 provide 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 \$953 related to the Bank Credit Facility, including \$328 of new costs incurred as a result of the Second, Third and Fourth Amended Bank Credit Agreements, respectively during the nine month period ended September 30, 2017. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at September 30, 2017, the unamortized transaction costs related to the amended Bank Credit Facility was \$614. As at September 30, 2017 there were outstanding borrowings of \$20,588 under the revolving facilities portion of the amended Bank Credit Facility, outstanding borrowings of \$3,422 under the amended Bank Term Facility and letters of credit granted of \$1,133. As at September 30, 2017, all of DATA's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 3.95% per annum and all of DATA's indebtedness outstanding under the Bank Term Facility was subject to a floating interest rate of 5.45% per annum. DATA had access to \$7,648 of available credit under the amended Bank Credit Facility at September 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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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 September 30, 2017, Thistle had outstanding borrowings of \$5,533 and \$5,048 under the IAM III Credit Facility, respectively. As at September 30, 2017, the unamortized transaction costs related to the IAM III Credit Facility were \$32.

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 September 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 during the nine month period ended September 30, 2017 as a result of the Third and Fourth Amended IAM IV Credit Agreements which is being amortized over the term of the IAM IV Credit Facility. As at September 30, 2017, the unamortized transaction costs and outstanding borrowings related to this facility were \$574 and \$23,090, 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 original IAM IV Credit Agreement, and before giving effect to the amendments described below, DATA was required to 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 were 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. Pursuant to the Third Amended IAM IV Agreement, the working capital current ratio was changed to 1.1 to 1 effective June 30, 2017.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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 above) 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). Pursuant to the Fourth Amended IAM IV Credit Agreement on September 29, 2017, the calculation of the debt service coverage ratio and the Senior Funded Debt to EBITDA ratio were amended to i) restore the inclusion of EBITDA to the four most recently completed fiscal quarters effective the quarter ending September 30, 2017; ii) include the Bridging Credit Facility as defined below, as part of Senior Funded Debt effective the quarter ending September 30, 2017; iii) include projected interest payments on the Bridging Credit Facility over the next four quarters for the purposes of calculating the debt service coverage ratio; and iv) revise the Senior Funded Debt to EBITDA ratio such that DATA must maintain the following levels: from July 1, 2017 up to September 30, 2017 - 4.00 to 1; October 1, 2017 up to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1. As at September 30, 2017, DATA was in compliance with these covenants.

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, and before giving effect to the amendments described below, DATA was required to 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 were 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, Fourth and Fifth Amended Bank Credit Agreements on May 30, 2017, September 29, 2017, and October 20, 2017, respectively, the fixed charge coverage ratio was amended such that i) for the period commencing April 30, 2017 and ending June 30, 2017, the ratio would not be less than 1.0 to 1.0; ii) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; and iii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, on a consolidated basis, in respect of any particular trailing twelve month period. As at September 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") in conjunction with the net proceeds of certain equity issuances 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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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 amended 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 \$146 were capitalized and the unamortized transaction costs as at September 30, 2017 were \$109. These costs are being 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. DATA anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there can be no assurance that DATA will be successful in achieving the results targeted in its 2017 operating plan or in complying with its covenants over the next twelve months.

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 (the "Inter-creditor Agreement"). 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.

The principal repayments on the long-term debt are as follows:

	September 30, 2017
2017	\$ 2,684
2018	9,842
2019	4,836
2020	25,763
2021	5,536
2022 and thereafter	6,987
	\$ 55,648

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***9 Convertible debentures**

	September 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 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 forewent 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 September 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 26.33% (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 September 30, 2017, DATA has non-capital loss carry-forwards of \$9,436 (2016 – \$6,434). The non-capital loss carry-forwards expire in varying amounts from 2033 to 2037.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

Reflected in the consolidated statement of financial position as follows:	September 30, 2017	December 31, 2016
Deferred income tax assets	\$ 5,212	\$ 3,839
Deferred income tax liabilities	(1,322)	—
Net deferred income tax assets	\$ 3,890	\$ 3,839

11 Other non-current liabilities

	September 30, 2017	December 31, 2016
Deferred lease inducement	\$ 1,119	\$ 793
Lease escalation liabilities	1,801	1,321
Bonuses payable	1,058	—
Loan payable	—	151
	\$ 3,978	\$ 2,265
Less: Current portion of other non-current liabilities	(526)	(574)
	\$ 3,452	\$ 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 were 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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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.

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		4,391
Shares issued - June 28, 2017	2,690,604		3,398
Shares issued - July 13, 2017	71,500		72
Balance – September 30, 2017	19,334,735	\$	248,155

	Number of Common shares		Amount
Balance – January 1, 2016	9,987,528	\$	234,782
Shares issued - May 31, 2016	1,678,567		2,280
Shares issued - July 4, 2016	308,958		370
Balance – September 30, 2016	11,975,053	\$	237,432

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 \$246 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 ("First Private Placement"). Pursuant to the First 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 First Private Placement. The exercise price is subject to adjustment for certain capital events, as described in the warrant certificate, to preserve the

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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 First 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 First Private Placement which were also outstanding as of September 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 First 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 First Private Placement. This was adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was \$3,398 and the proceeds allocated to the Warrants was \$280, net of transaction costs totaling \$88. 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.

On July 13, 2017, DATA completed a second closing of the private placement ("Second Private Placement"), consistent with the terms and conditions of the First 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 Private Placement. As of September 30, 2017, 35,750 Warrants pursuant to the Second Private Placement were outstanding. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of \$100 by the relative fair values of each component on closing of the Second Private Placement. The fair value of the Warrants issued was estimated to be \$6 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.22%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. The fair value of the Common Shares issued was \$91 based on the closing market price of the shares on closing of the Second Private Placement. The fair value of the Common Shares and Warrants were each adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was \$72 and the proceeds allocated to the Warrants was \$7, net of transaction costs totaling \$21. The gross proceeds of \$100 were used to finance the general working capital requirements of DATA.

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 1,933,474 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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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.

	September 30, 2017	December 31, 2016
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	29,538	2,366
Units granted	150,192	452,371
Units forfeited	—	(425,199)
Units paid	(347)	—
Balance - end of period/year	179,383	29,538

During the nine months ended September 30, 2017, the chief executive officer ("CEO") of DATA and President of DATA were granted 104,548 RSUs (2016 – 145,566 RSUs were issued to the CEO) and a total of 45,644 RSUs (2016 – 304,722 RSUs) were awarded to other key members of DATA's management.

Of the total outstanding RSUs at September 30, 2017, \$nil (2016 – \$234) have vested and are payable. The carrying amount of the liability relating to the RSUs at September 30, 2017 was \$80 (2016 – \$17).

During the nine months ended September 30, 2017, compensation expense of \$64 (2016 – \$45) was recognized in the consolidated statement of operations related to RSUs granted.

(b) Option ("Option")

A summary of Option activities for the nine months ended September 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	(128,777)	8.20	(39,011)	1.50
Exercised	(19,505)	1.50	—	—
Options outstanding - end of period / year	811,463	\$ 1.50	959,745	\$ 2.41
Exercisable	707,433	\$ 1.50	641,603	\$ 1.50

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

The outstanding options had an exercise price range as follows:

	September 30, 2017	December 31, 2016
	Number of Options	Number of Options
\$75.00	—	11,745
\$1.50	811,463	948,000
Options outstanding	811,463	959,745

During the nine months ended September 30, 2017, options to purchase up to 11,745 common shares awarded to the CEO were forfeited.

During the nine months ended September 30, 2017, a total of 128,777 options awarded were forfeited and 19,505 options awarded were exercised.

During the nine months ended September 30, 2017, compensation expense of \$25 (2016 – \$nil) was recognized in the consolidated statement of operations related to options granted.

13 (Loss) earnings per share

	For the three months ended September 30, 2017	For the three months ended September 30, 2016
BASIC (LOSS) EARNINGS PER SHARE		
Net loss for the period attributable to common shareholders	\$ (1,068)	\$ (1,865)
Weighted average number of shares	19,325,409	11,964,978
Basic (loss) earnings per share	\$ (0.06)	\$ (0.16)

DILUTED (LOSS) EARNINGS PER SHARE		
Net loss for the period attributable to common shareholders	\$ (1,068)	\$ (1,865)
Weighted average number of shares	19,325,409	11,964,978
Diluted (loss) earnings per share	\$ (0.06)	\$ (0.16)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
BASIC (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to common shareholders	\$ (3,746)	\$ 1,008
Weighted average number of shares	15,184,358	10,840,273
Basic (loss) earnings per share	\$ (0.25)	\$ 0.09

DILUTED (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to common shareholders	\$ (3,746)	\$ 1,008
Weighted average number of shares	15,184,358	11,025,630
Diluted (loss) earnings per share	\$ (0.25)	\$ 0.09

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

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 811,463 common shares and warrants to purchase up to 1,381,050 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.

14 Changes in working capital

	For the three months ended September 30, 2017	For the three months ended September 30, 2016
Trade receivables	\$ (984)	\$ 1,114
Inventories	2,162	409
Prepaid expenses and other current assets	(130)	(585)
Trade payables and accrued liabilities	(2,763)	(3,467)
Deferred revenue	(600)	(2,584)
	\$ (2,315)	\$ (5,113)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Trade receivables	\$ 462	\$ 8,659
Inventories	(675)	(324)
Prepaid expenses and other current assets	561	(711)
Trade and accrued liabilities	80	(5,153)
Deferred revenue	(907)	(2,548)
	\$ (479)	\$ (77)

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. During the quarter ended September 30, 2017, DATA engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2017, the DATA Communications Management Pension Plan had a solvency deficit. Based upon the January 1, 2017 actuarial report, DATA's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 decreased from \$1,311 to \$647. As of September 30, 2017, DATA has exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by \$227. This excess funding will be applied to DATA's future

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

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 regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017. The new regulation allows 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 has elected to defer the start of new solvency special payments by 24 months and intends on completing an updated actuarial valuation of the DATA Communications Management Pension Plan as at January 1, 2018. DATA expects that its future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 will be approximately \$420, after adjusting for the excess funding from 2017, and for 2019 will be approximately \$1,353. The January 1, 2018 actuarial valuation report for the DATA Communications Management Pension Plan will not be completed until partway through 2018 and the funding reforms have not been finalized, therefore, the effect on DATA's minimum funding requirements for 2018 and forward is not determinable at this time.

Pension expense

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

	For the three months ended September 30, 2017		For the three months ended September 30, 2016		For the nine months ended September 30, 2017		For the nine months ended September 30, 2016
Net cost recognized in general and administration expenses	\$ 81	\$	81	\$	243	\$	243
Interest costs in finance expense	54		66		162		199
Defined benefit plans	\$ 135	\$	147	\$	405	\$	442
Defined contribution plans	\$ 369	\$	379	\$	1,134	\$	1,142
Defined benefit multi-employer plans	\$ 153	\$	151	\$	503	\$	440

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*Other post-employment benefit plans expense

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

	For the three months ended September 30, 2017		For the three months ended September 30, 2016		For the nine months ended September 30, 2017		For the nine months ended September 30, 2016
Net cost recognized in general and administration expenses	\$ 62	\$	72	\$	186	\$	216
Interest costs in finance expense	26		25		78		75
Other post-employment benefit plans	\$ 88	\$	97	\$	264	\$	291

17 Subsequent events**ACQUISITION OF BOLDER GRAPHICS**

On November 10, 2017, DATA acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. The company has approximately 40 employees operating in a 59,000 square foot facility located in Calgary, Alberta. This acquisition strengthens DATA's large and wide format printing capabilities in western Canada and complements its significantly expanded large format capabilities obtained through the acquisition of Eclipse in eastern Canada earlier this year.

BOLDER Graphics was acquired for a total purchase price of approximately \$5,086, comprised of \$2,000 in cash paid on closing (including funds advanced in repayment of approximately \$392 of shareholder loans), \$1,000 through the issuance of 704,424 Common Shares of DATA, and \$1,086 in the form of subordinated, unsecured, 6.0% interest bearing vendor take-back promissory notes, which are payable in twenty equal monthly blended payments of principal and interest commencing on February 28, 2018 and ending on September 30, 2019, and the assumption of approximately \$1,000 in outstanding long-term indebtedness. The purchase price is subject to certain post-closing adjustments, including working capital, which will be reflected as an adjustment in the principal amount of the vendor take-back promissory notes.

Total cash advanced on the BOLDER Graphics acquisition of \$2,000 was financed with the proceeds from the new IAM V Credit Facility (as defined below) and the outstanding long-term indebtedness of \$1,000 was funded with a draw under DATA's Bank Credit Facility.

The number of DATA's issued and outstanding common shares has increased from 19,334,735 to 20,039,159.

The purchase price accounting related to the BOLDER Graphics acquisition is in progress as at the date of the consolidated financial statements.

INCREASE IN SENIOR CREDIT FACILITIES

On November 3, 2017, and in connection with the BOLDER Graphics acquisition, DATA established a \$5,000 secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement").

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

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

The IAM V Credit Facility may be drawn by way of a single advance, bears interest at a fixed rate of 6.95% per annum, calculated and payable monthly, and shall be repaid in 66 equal monthly payments of \$91 beginning on December 15, 2017 and through to May 15, 2023, consistent with the maturity of the IAM IV Credit Facility. The IAM V Credit Facility can be repaid in full at any time prior to maturity upon thirty days prior written notice to IAM and is subject to an early repayment fee equal to the difference between i) the present value of the remaining payments from the prepayment date discounted at a rate based on yields earned on Government of Canada Bonds with a comparable term; and ii) the face value of the remaining payments on the prepayment date. Under the terms of the IAM V Credit Agreement, DATA is required to deposit and hold cash of \$90 in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM V Credit Facility. In addition, the IAM V Credit Facility is subject to the same covenant conditions stipulated under the amended IAM IV Credit Agreement and will be reported on a consolidated basis. The aggregate principal amount outstanding under the IAM V Credit Facility will be included as part of Senior Funded Debt for the purpose of calculating DATA's covenants.

The IAM V Credit Facility was used to fund the up-front cash component of the BOLDER Graphics acquisition of \$2,000, repay the remaining outstanding balance of the Bank Term Facility of \$2,622, and the balance was used for general working capital purposes.

On November 3, 2017, the Inter-creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include IAM V as party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

RESTRUCTURING EXPENSES*a) Integration of Multiple Pakfold operations*

On October 11, 2017, DATA announced its plan to integrate the Multiple Pakfold operations, a division of DATA, into its Brampton, Ontario facility. As a result, DATA will exit Multiple Pakfold's 60,000 square foot facility in Mississauga, Ontario before the end of 2017 and relocate the division's staff and production capabilities into DATA's 269,000 square foot Brampton, Ontario facility.

Multiple Pakfold will continue to serve its trade printing clients as a distinct market segment. DATA expects to benefit from improved efficiencies in balancing work and staffing across its short-run and long-run forms and labels business, allowing it to absorb incremental capacity into its largest production facility in the country. Annualized savings are expected from this transition, primarily related to rent and facilities savings. DATA expects to incur approximately \$800 in restructuring expenses relating to the Multiple Pakfold move, primarily consisting of early lease exit charges and relocation of equipment in the fourth quarter of 2017. It is expected that substantially all of Multiple Pakfold's employees will relocate to DATA's Brampton facility.

b) Closure of Granby warehousing operations

On October 18, 2017, DATA announced its plan to close its 100,000 square foot Granby, Québec warehousing operations and relocate into its 170,000 square foot Drummondville, Québec facility before the end of 2017. Annualized savings are expected from this transition, primarily related to rent and facilities savings. DATA expects to incur approximately \$2,400 in restructuring expenses relating to early lease exit charges in the fourth quarter of 2017 related to this move. It is expected that substantially all of the Granby warehousing staff will relocate to DATA's Drummondville facility and the administrative staff will relocate to DATA's Brossard, Québec facility.

c) Reduction of labour force

In connection with DATA's ongoing cost savings initiatives, on October 18, 2017, DATA announced that it expects additional savings through recently completed reductions in certain indirect labour and selling, general and administrative ("SG&A") staff. During the three months ended September 30, 2017, DATA incurred restructuring charges of \$1,383 and DATA expects that total restructuring costs of approximately \$1,600 in connection with these changes will be incurred in the fourth quarter of 2017. These employee reductions are expected to result in annualized savings, comprised of indirect labour savings and SG&A savings.