FIRST QUARTER REPORT

March 31, 2019

DCM | THE BRAND BEHIND YOUR BRAND

Letter to shareholders

Dear Fellow Shareholders,

The following provides an overview of:

- First quarter 2019 financial results;
- First quarter initiatives and drivers for our business;
- Management outlook for the near term.

First quarter 2019 financial results

Revenues for the quarter were $78.5 million compared to $88.5 million in the first quarter of 2018, a decrease of $10.0 million or 11.3%. This decrease was largely expected as our company benefited in the first quarter of 2018 from a one-time increase in volume from a long-standing customer which generated approximately $4.9 million higher revenues in that period compared to the current quarter. We also decided to not pursue a low margin customer contract renewal given our focus on improving gross margins which contributed to a decrease in revenues by approximately $1.4 million this quarter. The balance of the year over year change pertains primarily to timing of work, in addition to some softness in spend from certain customers.

Adjusted EBITDA was $7.9 million in the first quarter of 2019, or 10.0% of revenues after adjusting for the impact of adopting IFRS 16 which became effective in the first quarter of 2019. This compares to $6.4 million in 2018, representing a $1.5 million or 23.4% increase compared to the first quarter of 2018. Before adjusting for the adoption of IFRS 16, Adjusted EBITDA was $5.4 million or 6.9% of revenues for the quarter ended March 31, 2019. Once again, this decrease is primarily attributable to the unusually strong volume in the first quarter of 2018 from one customer.

First quarter initiatives and drivers

We continue to focus your company's efforts on providing additional products and services to our core client base. In addition, with the enhanced retail and consumer insight capabilities Perennial brings to DCM, we are capturing new client business due to the innovative ideas and exceptional executional capabilities we are presenting to clients. Our "pitched and pending" sales pipeline is at historic highs with both current and new clients.

Continuing the Pivot

Our Business Solutions Group was recently awarded a significant multi-year agreement to provide innovative technology solutions to a large provincial healthcare services network. DCM was selected as a key technology partner to support the province's integrated clinical information systems, providing automated identification solutions including scanners, printers, patient identification solutions, consumables including labels, as well as ongoing support services.

This long-standing customer of DCM in our traditional business has trusted DCM to consult, evaluate, recommend and execute a business solutions platform which will dramatically modernize the way this province delivers health care services to its customers.

By recommending the appropriate technology and business processes to this client, DCM is now seen as a total enterprise solutions supplier instead of a print and production vendor. We began to record revenue in the second quarter of 2019 under this agreement.

We recently announced the sale of our loose-leaf binders and index tab business to Southwest Business Products Ltd. ("Southwest") and, at the same time, entered into a long-term supply agreement with Southwest as a preferred vendor of binders, index tabs and related products. This initiative aligns with our strategy to focus on products and solutions that are core to our top customers, and to source non-core offerings from other leading providers where it makes strategic sense.

Consistent with this theme, in early March 2019, DCM initiated plans to outsource its Brossard, Quebec stationery production to a long-standing tier two supplier. DCM also expanded its pre-existing supply agreement with this partner. Effective May 1, 2019, DCM closed the Brossard, Quebec facility, which primarily produced stationery products including business cards and letterhead and relocated the facility's digital print on demand production to other DCM sites.

Perennial Joint Venture with Aphria

Over the past several months, the joint Perennial and Aphria teams have been focused on developing go to market strategies for cannabis infused edibles, beverages, topicals and wellness related products.

While the joint venture's business plans are being developed, we are closely monitoring the Federal Government's direction for guidelines on dosage, formulary approvals as well as manufacturing protocols to produce products containing cannabis and cannabidiol (CBD), an extract found in cannabis.

Operations

In addition to our focus on sustainable revenue, we have been conscious of improving gross margins. The first quarter of 2019 saw gross margin as a percent of total revenue reach 26.4% (or 26% prior to adjusting for the adoption of IFRS 16) compared to 24.3% in the first quarter of 2018, despite lower levels of revenue.

Our gross margin improvement was in great part due to improved efficiencies in our plants. We continue to review supplier contracts and relationships, as well as processes and workflow improvements. We are also realizing success in passing on input price increases to our customers.

I am pleased to report that both our recent investments in specialized capabilities, specifically the six-colour Heidelberg press at Thistle and Gallus label press in Brampton, Ontario, were fully commissioned in March and April 2019, respectively. We expect to see continued improvement in margins on commercial print and labels throughout the year, especially as we migrate more commercial print work to Thistle and away from tier two suppliers.

Selling, general & administrative expenses (SG&A)

Our other major focus is reducing our SG&A expenses as a percent of our revenue. I am pleased to report our SG&A for the first quarter of 2019 was $16.8 million, or 21.3% of revenue, after adjusting for certain one-time non-recurring expenses totaling $0.4 million, versus $17.4 million in the first quarter of 2018, or 19.7% of revenue, a $0.6 million savings. We continue to focus on ways to drive down our SG&A expenses and improve efficiencies.

To this point, we are executing on our ERP transition in June 2019. This implementation has been a long time coming, but will vastly streamline workflow from sales order to production, plus automate and simplify many management reporting and accounting procedures. We believe the annualized cost savings in improved processes and overhead will be in the range of $2 to $3 million per year.

Corporate initiatives

During the first quarter of 2019, we completed payouts of the promissory notes to both the Thistle and Eclipse vendors. This week, we made a further $1 million payment to the Perennial vendor.

Coupled with our on-going debt reduction payments to our lenders, DCM reduced its fixed-term debt and promissory notes obligations by approximately $4 million in the first quarter of 2019. We will continue to pay down our debt in 2019 and expect to see a nearly $10 million reduction in our outstanding fixed term debt by the end of 2019 compared to the end of 2018.

In April, we announced the appointment of Mike Coté as President of our company. This change completes the management re-organization we conducted to improve our bench strength in operations, supplier relations and finance.

Mike and I will share day to day operational and strategic mandates.

Since joining DCM in September 2017, Mike has demonstrated a passion to change the way we execute with clients as well as a desire to make us all better as operators.

Given the pace of change we are experiencing, I welcome Mike as a “two pack” helping me guide the transformation of our business.

Management outlook for the near term

At the outset of 2019, your management team set out five business priorities:

- Focus on our core customers;
- Continue to improve gross margins;
- Reduce our selling, general and administrative expenses;
- Pay down debt; and
- Make strategic investments in technologies that clients request and value to support our future growth.

The first quarter results reflect our heightened focus on these five business priorities.

We remain optimistic for the year, despite the continued presence of price increases on raw materials and secular declines in traditional print and production.

As I have said before, your management and directors comprise the largest block of shareholders. We will continue to invest in our company because we believe there is significant value we can provide our clients and that we can create long term value for all shareholders.

I thank you all for your support.

For a full description of our financial results for the first quarter of 2019, please refer to our unaudited consolidated financial statements for the three months ended March 31, 2019 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Yours truly,

Greg Cochrane

Gregory J. Cochrane

Chief Executive Officer

DATA Communications Management Corp.

May 2019

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

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM) and its subsidiaries (referred to herein as "DCM" or the "Company") for the three month periods ended March 31, 2019 and 2018. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2018, the unaudited condensed interim consolidated financial statements and accompanying notes of DCM for the three month periods ended March 31, 2019 and 2018 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2018. Additional information about the Company, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on May 9, 2019. This MD&A reflects information as of May 9, 2019.

Basis of presentation

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

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions and/or investments in joint ventures by DCM; the failure to realize the expected benefits from the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and DCM's investment in the joint venture between Aphria Inc. and Perennial and risks associated with the integration and growth of such businesses; increases in the costs of paper and other raw materials used by DCM; DCM's ability to maintain relationships with its customers; risks relating to future legislative and regulatory developments and other business risks involving the wellness, medical and adult-use marijuana markets in Canada and internationally generally; and risks relating to DCM's ability to access sufficient capital on favourable terms to fund its business plans from internal and external sources.

Additional factors are discussed elsewhere in this MD&A under the headings "Liquidity and capital resources" and "Risks and Uncertainties" in DCM's publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

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

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

Business of DCM

OVERVIEW

DCM is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with their customers. DCM pairs customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power its clients' go-to market strategies. DCM helps its clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

DCM's extensive experience has positioned it as an expert at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. As a result of its locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print or digital formats.

On February 22, 2017, DCM 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. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On January 1, 2019, Thistle was amalgamated into DCM. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a company focused on large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

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

DCM'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, DCM'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.

DCM has approximately 1,400 employees in Canada and the United States and had revenues of $322.8 million in 2018. Website: www.datacm.com.

RECENT DEVELOPMENTS

CONTINUING THE PIVOT

DCM announced its Business Solutions Group was recently awarded a significant multi-year agreement to provide innovative technology solutions to a large provincial healthcare services network as it transforms its clinical information systems to become more integrated with enhanced automation tools. Key components to be provided by DCM include scanners, printers, patient identification solutions, consumables including labels, as well as ongoing support services.

DCM recently announced the sale of its loose-leaf binders and index tab business to Southwest Business Products Ltd. ("Southwest") which closed on May 2, 2019. The sale was made by way of an asset purchase agreement in which certain assets were sold and certain liabilities were assumed by Southwest in exchange for cash proceeds to DCM. At the same time, DCM entered into a long-term supply agreement with Southwest as a preferred vendor of binders, index tabs and related products. DCM expects to incur restructuring costs of approximately $0.4 million in connection with this initiative in the second quarter of 2019 primarily related to a reduction in headcount. This transaction aligns with DCM's strategy to focus on products and solutions that are critical to its top customers, and to source non-core offerings from other leading providers where it makes strategic sense.

Consistent with this theme, in early March 2019, DCM initiated plans to outsource its Brossard, Quebec stationery production to a long-standing tier two supplier. DCM also expanded its pre-existing supply agreement with this partner. Effective May 1, 2019, DCM closed the Brossard, Quebec facility, which primarily produced stationery products including business cards and letterhead and relocated the facility's digital print on demand production to other DCM sites.

As a result of the Brossard closure, DCM incurred restructuring costs of approximately $0.5 million in the first quarter of 2019 for severance costs. While DCM does not expect material changes in revenue or margins from this initiative, it allows DCM to better serve its customers with a seamless offering, and to avoid additional investment in what it sees as a declining business segment.

In the first quarter of 2019, DCM also initiated direct and indirect labour savings across a number of its facilities as part of its strategic focus on improving overall profitability. DCM incurred restructuring costs of $1.2 million in the first quarter of 2019 for severance costs associated with this reduction of employees. Total annualized savings from these reduced labour costs are estimated to be $1.2 million.

EXTENSION OF BANK CREDIT FACILITY

On March 5, 2019, DCM entered into a second amendment to its credit agreement with a Canadian chartered bank in relation to its revolving credit facility. Significant terms of the amendment made to the credit facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; a reduction in the prime rate margin on advances by 15 basis points from 0.75% per annum to 0.60% per annum; the elimination of an early termination fee in the event the credit facility is terminated or repaid prior to maturity; and amendments related to the calculation of certain financial covenants as a result of the adoption of IFRS 16, *Leases* ("IFRS 16") effective for reporting periods on or after January 1, 2019. The amendments related to IFRS 16 include clarification that the calculation of DCM's fixed charge coverage ratio under the credit facility will be completed on a basis that substantially has the same effect as the results prior to the adoption of IFRS 16 whereby lease payments will also be deducted from EBITDA, in addition to all other adjustments previously allowed per the credit agreement. As a result, definitions of certain terms related to IFRS 16 were added to the credit agreement. DCM’s financial covenant ratio with the bank remains unchanged.

INVESTMENT IN NEW EQUIPMENT

On July 30, 2018, DCM secured a new Gallus / Heidelberg hybrid digital label press for its Brampton, Ontario facility which was fully commissioned in April of 2019. This press will support DCM's current demand for cannabis label solutions and provide new opportunities in the wine and spirits markets, offering a unique value proposition for these producers and distributors compared to their current offerings. On April 29, 2019, DCM finalized its lease agreement with a Canadian chartered bank to finance this equipment with monthly payments over a five-year term.

The Heidelberg six-colour press has been installed in the Thistle operations during the first quarter of 2019. This new piece of equipment provides enhanced capabilities, allowing DCM to migrate more complex sheet fed volumes from tier two suppliers, and will also help in improving operating efficiencies and gross margins as it will replace an older five-colour press.

COST OF REVENUES AND OTHER EXPENSES

DCM’s cost of revenues primarily consists of raw materials, manufacturing salaries and benefits, occupancy costs, depreciation of owned equipment, and depreciation of the right-of-use asset ("ROU Asset") for property leases and equipment leases. DCM’s raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs primarily consist of employee salaries and health benefits at DCM’s printing and warehousing facilities. Occupancy costs consist primarily of depreciation of the ROU Asset for property leases, and costs related to utilities, insurance and building maintenance. DCM’s expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, the ROU Asset, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other personnel related expenses for executive, financial and administrative personnel, as well as depreciation of the ROU Asset for property leases, telecommunications, pension plan expenses and professional service fees.

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

Selected Consolidated Financial Information

The following tables set out the summary consolidated financial information and supplemental information for the periods indicated. The summary interim and financial information for fiscal 2019 and 2018 have been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our fiscal 2018 audited consolidated financial statements. Due to the adoption of new IFRS standards at January 1, 2019, these periods do not reflect consistent accounting policies, particularly in relation to IFRS 16, and therefore are not directly comparable. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for the fair presentation of the results for those periods.

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

For the periods ended March 31, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to March 31, 2019**			January 1 to March 31, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Revenues	**$ 78,549**	**$ —**	**$ 78,549**	88,516
Cost of revenues	**58,129**	**(342)**	**57,787**	67,041
Gross profit	**20,420**	**342**	**20,762**	21,475
Selling, general and administrative expenses	**17,216**	**(58)**	**17,158**	17,672
Restructuring expenses	**1,682**	**—**	**1,682**	64
Acquisition costs	**—**	**—**	**—**	43
	18,898	**(58)**	**18,840**	17,779
Income before finance costs and income taxes	**1,522**	**400**	**1,922**	3,696
Finance costs				
Interest expense, net	**1,231**	**901**	**2,132**	1,137
Amortization of transaction costs	**137**	**—**	**137**	143
	1,368	**901**	**2,269**	1,280
(Loss) income before income taxes	**154**	**(501)**	**(347)**	2,416
Income tax (recovery) expense				
Current	**32**	**—**	**32**	843
Deferred	**(56)**	**—**	**(56)**	(190)
	(24)	**—**	**(24)**	653
Net (loss) income for the period	**$ 178**	**$ (501)**	**$ (323)**	$ 1,763
Basic (loss) earnings per share	**$ 0.01**	**$ (0.03)**	**$ (0.02)**	$ 0.09
Diluted (loss) earnings per share	**$ 0.01**	**$ (0.03)**	**$ (0.02)**	$ 0.09
Weighted average number of common shares outstanding, basic	**21,523,515**	**21,523,515**	**21,523,515**	20,039,159
Weighted average number of common shares outstanding, diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,039,159

The adoption of IFRS 16 resulted in a lower net income by $0.5 million for the three-months ended March 31, 2019 versus on a pre IFRS 16 basis. Lease payments were previously expensed directly through the statement of operations as cost of sales or SG&A expenses for a total of $2.5 million. Under IFRS 16, (i) the $2.5 million lease payments are recognized as a reduction of lease liabilities which are presented as finance lease payments on the condensed interim consolidated statement of cash flow, (ii) a depreciation expense of the ROU Asset is recognized in cost of sales and SG&A for an aggregate amount of $2.1 million, and (iii) finance charges on the lease liability were recognized as interest expense for $0.9 million.

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted.

As at March 31, 2019 and December 31, 2018 *(in thousands of Canadian dollars, unaudited)*	**As at March 31, 2019**			As at March 31, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Current assets	**$ 86,031**	**$ (221)**	**$ 85,810**	$ 85,455
Current liabilities	**65,219**	**7,537**	**72,756**	64,716
Total assets	**142,235**	**60,644**	**202,879**	142,231
Total non-current liabilities	**69,405**	**53,608**	**123,013**	70,003
Shareholders' equity	**$ 7,611**	**$ (501)**	**$ 7,110**	$ 7,512

Table 2 highlights the changes to the condensed interim consolidated statement of financial position as at March 31, 2019 as a result of the adoption of IFRS 16 as at January 1, 2019. The significant changes relate to the following:

- DCM recognized a ROU Asset and a lease liability at the lease commencement date for substantially all of its leases which increased total assets and total liabilities (current and long-term portion);
- The ROU Asset was adjusted for any lease payments made at or before the lease commencement date, less any lease incentives and onerous lease liabilities, which were previously classified within current assets and total liabilities (current and long-term portion), respectively; and
- With respect to subleases where DCM is the lessor, DCM has reclassified the finance lease receivable from total liabilities to total assets, with the short-term portion allocated to current assets.

TABLE 3 The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures" section above for more details.

For the periods ended March 31, 2019 and 2018 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to March 31, 2019**			January 1 to March 31, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Revenues	**$ 78,549**	**$ —**	**$ 78,549**	$ 88,516
Gross profit	**$ 20,420**	**$ 342**	**$ 20,762**	$ 21,475
Gross profit, as a percentage of revenues	**26.0%**		**26.4%**	24.3%
Selling, general and administrative expenses	**$ 17,216**	**$ (58)**	**$ 17,158**	$ 17,672
As a percentage of revenues	**21.8%**		**21.8%**	20.0%
Adjusted EBITDA (see Table 4)	**$ 5,382**	**$ 2,477**	**$ 7,859**	$ 6,352
As a percentage of revenues	**6.9%**		**10.0%**	7.2%
Net (loss) income for the period	**$ 178**	**$ (501)**	**$ (323)**	$ 1,763
Adjusted net income (see Table 5)	**$ 1,726**	**$ (501)**	**$ 1,225**	$ 2,099
As a percentage of revenues	**2.2%**		**1.6%**	2.4%

TABLE 4 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See "Non-IFRS Measures" section above for more details.

EBITDA and Adjusted EBITDA reconciliation

For the periods ended March 31, 2019 and 2018 *(in thousands of Canadian dollars, unaudited)*	**January 1 to March 31, 2019**			January 1 to March 31, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Net (loss) income for the period [(1)]	**$ 178**	**$ (501)**	**$ (323)**	$ 1,763
Interest expense, net [(1)]	**1,231**	**901**	**2,132**	1,137
Amortization of transaction costs	**137**	**—**	**137**	143
Current income tax expense	**32**	**—**	**32**	843
Deferred income tax recovery	**(56)**	**—**	**(56)**	(190)
Depreciation of property, plant and equipment	**1,119**	**—**	**1,119**	1,148
Amortization of intangible assets	**647**	**—**	**647**	1,069
Depreciation of the ROU Asset [(1)]	**—**	**2,077**	**2,077**	—
EBITDA	**$ 3,288**	**$ 2,477**	**$ 5,765**	$ 5,913
Restructuring expenses	**1,682**	**—**	**1,682**	64
One-time business reorganization costs [(2)]	**412**	**—**	**412**	332
Acquisition costs	**—**	**—**	**—**	43
Adjusted EBITDA	**$ 5,382**	**$ 2,477**	**$ 7,859**	$ 6,352

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three months ended March 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

TABLE 5 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See "Non-IFRS Measures" section above for more details.

Adjusted net (loss) income reconciliation

For the periods ended March 31, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to March 31, 2019**			January 1 to March 31, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Net (loss) income for the period (1)	**$ 178**	**$ (501)**	**$ (323)**	$ 1,763
Restructuring expenses	**1,682**	**—**	**1,682**	64
One-time business reorganization costs (2)	**412**	**—**	**412**	332
Acquisition costs	**—**	**—**	**—**	43
Tax effect of the above adjustments	**(546)**	**—**	**(546)**	(103)
Adjusted net income	**$ 1,726**	**$ (501)**	**$ 1,225**	**$ 2,099**
Adjusted net income per share, basic and diluted	**$ 0.08**	**$ (0.02)**	**$ 0.06**	$ 0.09
Weighted average number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,039,159
Number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,039,159

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three months ended March 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

Results of operations

REVENUES

For the three months ended March 31, 2019, DCM recorded revenues of $78.5 million, a decrease of $10.0 million or 11.3% compared with the same period in 2018. The first quarter of 2018 included significantly higher volume than normal from one particular customer, by approximately $4.9 million compared to this year. The decrease in relative revenues for the three months ended March 31, 2019 was also due to (i) the loss of a lower margin customer, (ii) the timing of orders, (iii) some softness in spend from certain customers, and (iv) certain non-recurring work. The decrease was partially offset by (i) an increase in revenues from new customers in the Cannabis industry, (ii) year over year growth from a large customer in the financial services industry which was onboarded in late 2017, (iii) gains in wallet share from existing customers with new applications and (iv) the acquisition of Perennial which was not reflected in the comparative period as the acquisition was completed in the second quarter of 2018.

COST OF REVENUES AND GROSS PROFIT

For the three months ended March 31, 2019, cost of revenues decreased to $57.8 million from $67.0 million for the same period in 2018, resulting in a $9.2 million or 13.8% decrease over the same period last year. Excluding the effects of adopting IFRS 16, cost of revenues for the three months ended March 31, 2019 was $58.1 million.

Gross profit for the three months ended March 31, 2019 was $20.8 million, which represented a decrease of $0.7 million or 3.3% from $21.5 million for the same period in 2018. Gross profit as a percentage of revenues increased to 26.4% for the three months ended March 31, 2019, compared to 24.3% for the same period in 2018. Excluding the effects of adopting IFRS 16, gross profit for the three months ended March 31, 2019 was $20.4 million or 26.0% as a percentage of revenues. The increase in gross profit as a percentage of revenues for the three months ended March 31, 2019 was positively impacted by (i) higher margins attributed to the acquisition of Perennial which was not reflected in the comparative period, (ii) continued refinement of DCM's pricing discipline, (iii) cost reductions realized from prior cost savings initiatives, and (iv) improvements in product mix compared to last year. The increase in gross profit as a percentage of revenues was, however, partially offset by the impact of paper and other raw materials price increases leading to somewhat compressed margins on contracts with certain existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the three months ended March 31, 2019 decreased $0.5 million or 2.9% to $17.2 million, or 21.8% of total revenues, compared to $17.7 million, or 20.0% of total revenues, for the same period of 2018. After deducting one-time business reorganization costs, SG&A expenses were $16.8 million, or 21.3% of total revenues compared to $17.4 million or 19.7% of revenues in the prior period. The decrease in SG&A expenses for the three months ended March 31, 2019 was primarily attributable to (i) benefits from the cost saving initiatives implemented in the last two quarters of 2018, and (ii) reduction of amortization expense of intangible assets that were fully amortized in the fourth quarter of 2018. The decrease was partially offset by an increase in SG&A from the acquisition of Perennial which was not reflected in the comparative period, and an increase in non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

RESTRUCTURING EXPENSES

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

For the three months ended March 31, 2019, DCM incurred restructuring expenses of $1.7 million compared to $0.1 million in the same period in 2018. In 2019, the restructuring costs related to (i) headcount reductions due to the closure of the Brossard, Quebec facility, and (ii) headcount reductions to direct and indirect labour from various facilities across DCM as cost savings initiatives to improve gross margin.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to improving its gross margins and lowering its selling, general and administration expenses.

ADJUSTED EBITDA

For the three months ended March 31, 2019, Adjusted EBITDA increased over the prior year comparative period by $1.5 million to $7.9 million, or 10.0% of revenues, after adjusting EBITDA for the $1.7 million in restructuring charges and $0.4 million of one-time business reorganization costs. The adoption of IFRS 16 resulted in a higher Adjusted EBITDA for the first quarter of 2019 due to changes in the recognition and classification of lease payments from cost of sales and SG&A expenses to depreciation of $2.1 million and interest expense of $0.9 million, respectively. Excluding the effects of adopting IFRS 16, Adjusted EBITDA for the three months ended March 31, 2019 was $5.4 million, or 6.9% of revenues. The decrease of $1.0 million in Adjusted EBITDA for the three months ended March 31, 2019 over the same period last year excluding IFRS 16 was attributable to a decrease in revenues, with a corresponding decrease in gross profit. The decline was offset due to the acquisition of Perennial which was not reflected in the comparative period, improved gross margin as a percent of revenue and a reduction in SG&A.

INTEREST EXPENSE

Interest expense including interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations recorded at fair value, and interest expense on lease liabilities under IFRS 16 was $2.1 million for the three months ended March 31, 2019 compared to $1.1 million for the same period in 2018. Excluding the effects of adopting IFRS 16, interest expense for the three months ended March 31, 2019 was $1.2 million. Interest expense for the three months ended March 31, 2019 was relatively consistent with the same period in the prior year excluding IFRS 16. The slight increase was primarily due to the Crown facility, secured in 2018 to fund the acquisition of Perennial and to repay the outstanding balance on its subordinated debt facility with Bridging Finance Inc. ("Bridging Credit Facility"), which was not reflected in the comparative period as the facility was obtained in the second quarter of 2018. The increase was offset by a reduction in the unwinding of discount which was included in interest expense of the Eclipse and Thistle VTBs that were repaid during the current period.

INCOME TAXES

DCM reported a loss before income taxes of $0.3 million and a net income tax recovery of $24 thousand for the three months ended March 31, 2019 compared to income before income taxes of $2.4 million and a net income tax expense of $0.7 million for the three months ended March 31, 2018. The decrease in the current income tax expense to a recovery position was due to the reduction of DCM's estimated taxable income for the three months ended March 31, 2019. The deferred income tax recovery for the three months ended March 31, 2019 primarily relates to changes in estimates of future reversals of temporary differences.

NET LOSS

Net loss for the three months ended March 31, 2019 was $0.3 million compared to a net income of $1.8 million for the same period in 2018. Excluding the effects of adopting IFRS 16, net income for the three months ended March 31, 2019 was $0.2 million. The decrease in comparable profitability for the three months ended March 31, 2019 was primarily due to (i) the decrease in revenues, with a corresponding decline in gross profit, and (ii) an increase in restructuring expenses. This decrease was partially offset by (i) continued implementation of the refined discipline in DCM's pricing strategy resulting in an increase in gross margin as a percentage of revenues, (ii) cost benefits as a result of the restructuring efforts implemented in the last two quarters of 2018, and (iii) a reduction in SG&A expense.

ADJUSTED NET INCOME

Adjusted net income for the three months ended March 31, 2019 was $1.2 million compared to Adjusted net income of $2.1 million for the same period in 2018. The adoption of IFRS 16 resulted in a lower Adjusted net income for the first quarter of 2019 by $0.5 million due to changes in net income as discussed in Table 1. Excluding the effects of adopting IFRS16, Adjusted net income for the three months ended March 31, 2019 was $1.7 million. The decrease in comparable profitability for the three months ended March 31, 2019 was primarily due to the decrease in revenues, with a corresponding decline in gross profit. This decrease was partially offset by (i) continued implementation of the refined discipline in DCM's pricing strategy resulting in an increase in the gross margin as a percentage of revenues, (ii) cost benefits as a result of the restructuring efforts implemented in the last two quarters of 2018, and (iii) a reduction in SG&A expense.

Liquidity and capital resources

LIQUIDITY

DCM has established a revolving credit facility (the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”) and an amortizing term loan facility (the “IAM IV Credit Facility”) with Integrated Private Debt Fund IV LP (“IAM IV"), a fund managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate amended and restated credit agreements, between DCM and the Bank (as amended, the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”). On November 10, 2017, DCM established a $5.0 million 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" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the “IAM Credit Agreements”), to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

On May 8, 2018, DCM established a $12.0 million non-revolving term loan facility with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which approximately $8.2 million was used to fund the up-front cash component of the Perennial acquisition and $3.5 million was used to repay in full the outstanding balance of the Bridging Credit Facility. The balance of the Crown Facility was used for general working capital purposes. The Crown Facility was made available in one advance, with an effective date of May 7, 2018, and bears interest at a rate equal to 10% per annum, calculated daily and payable in arrears on a quarterly basis. The loan facility has a five (5) year term beginning on May 7, 2018 and can be repaid at any time after twenty-four (24) months, subject to a prepayment fee, upon ten (10) days prior written notice to Crown. The Crown Facility is subordinated in right of payment to the prior payment in full of DCM's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants were issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of $12.0 million was apportioned to the debt instrument and the warrant option based on their respective fair values of $11.5 million and $0.5 million, respectively. The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $11.5 million to $12.0 million over the term of the loan. As at March 31, 2019 the accreted debt instrument was valued at $11.5 million including total accretion expense of $21.0 thousand. The Crown Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5.0 million during any fiscal year. DCM capitalized transaction costs of $18.0 thousand related to the Crown Facility for the three months ended March 31, 2019, and the related unamortized balance of these transaction cost was $0.6 million as at March 31, 2019. The unamortized balance of the transaction costs of the Crown Facility is being amortized over the remaining term of the facility.

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately $2.4 million ("Bank Lease Facility"). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the three-month period ended March 31, 2019 was $30 thousand. On January 16, 2019, DCM entered into an amendment to extend the interim funding period to March 31, 2019. On April 29, 2019, DCM finalized its lease agreement with the Bank pursuant to the Bank Lease Facility. The agreement is for a five year period with monthly payments of approximately $38 thousand. Upon expiration of the lease term, DCM has the option to purchase the equipment, extend the term or return the equipment.

On July 31, 2018, the Bank Credit Agreement was amended to allow DCM to enter into the Bank Lease Facility for an amount not to exceed $3.0 million. The Bank Credit Facility excludes the Bank Lease Facility from the maximum principal amount of debt available of $35.0 million and has added a cross default and cross collateralization condition which includes the equipment leased as collateral under Bank Credit Facility and Bank Lease Facility.

As at March 31, 2019, DCM had outstanding borrowings of $22.5 million and letters of credit granted of $0.7 million under the Bank Credit Facility, outstanding borrowings of $3.7 million under the IAM III Credit Facility, outstanding borrowings of $17.6 million under the IAM IV Credit Facility, borrowings of $4.0 million under the IAM V Credit Facility, and outstanding borrowings of $12.0 million under the Crown Facility. The bank overdraft balance of $1.4 million on the condensed interim consolidated statement of position as at March 31, 2019, represents outstanding cheques which, when cashed, would be a draw over the Bank Credit Facility.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35.0 million and the Bank Credit Facility matures on January 31, 2023. Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.60%. On March 5, 2019, the Bank Credit Facility maturity date was extended from March 31, 2020 to January 31, 2023, and the prime rate margin was reduced from 0.75% to 0.60%.

As at March 31, 2019, DCM has capitalized transaction costs of $1.0 million related to the amended Bank Credit Facility. For the three months ended March 31, 2019, DCM capitalized additional transaction costs of $0.1 million. The unamortized transaction costs related to the credit facility as at March 31, 2019 was $0.4 million. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at March 31, 2019, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 4.55% per annum. As at March 31, 2019, DCM had access to $7.5 million of available credit under the Bank Credit Facility.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding at any time under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility, calculated on a consolidated basis in accordance with IFRS ("Total Funded Debt"), is $72.0 million (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest over a nine year term ending October 15, 2022. The principal amount of the amended IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest over a sixty six month term ending in May 15, 2023. As at March 31, 2019, all of DCM's indebtedness outstanding under the IAM III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively. Under the terms of the amended IAM IV Credit Agreement and IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility and IAM V Credit Facility. As at March 31, 2019, there was a balance of $0.5 million in the blocked account, which is recognized as restricted cash in DCM's condensed interim consolidated statements of financial position.

As at March 31, 2019, DCM has capitalized transaction costs of $nil related to the IAM III Credit Facility, IAM IV Credit Facility and IAM V Credit Facility, and the unamortized transaction costs were $22.0 thousand, $0.4 million, and $0.2 million, respectively, amortized over the remaining term of each facility.

Each of the amended Bank Credit Agreement, the IAM III Credit Agreement, the amended IAM IV Credit Agreement, the IAM V Credit Agreement and the Crown Facility 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 DCM without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, as applicable.

Under the terms of the amended Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio must not be less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. The pro forma financial results for DCM's acquisitions are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations. As at March 31, 2019, the fixed charge coverage ratio was 1.29. As at March 31, 2019, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA of not greater than the following levels: from October 1 2017 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; (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 1.1:1. The pro forma financial results from DCM's acquisitions are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations. In addition, the IAM Credit Agreements permit cash payments in respect of the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below) provided the debt service coverage ratio for the four most recently completed fiscal quarter is greater than 2.00 to 1 and there is no default or event of default. The excess cash flow is calculated by taking EBITDA less payments for (i) cash taxes; (ii) capital expenditures; (iii) principal and interest on the Bank Credit Facility, IAM Credit Agreements and the Crown Facility and (iv) interest on capital leases for the two most recently completed fiscal quarters (“Excess Cash Flow”). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year (the “Excess Cash Flow Determination Date”) which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. On October 26, 2018, DCM received a waiver with regards to the IAM Credit Agreements for the purpose of determining DCM's Excess Cash Flow, whereby the requirement to maintain a debt service coverage ratio of 2.0 times was waived as long as DCM maintains a debit service coverage ratio of at least 1.85 times for next four fiscal quarters beginning October 1, 2018 and ending on September 30, 2019. DCM is required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions in addition to any other distributions to shareholders and/or related parties. As at March 31, 2019, the conditions required to permit excess cash flow payments were met and the Excess Cash Flow was sufficient to cover the payments required to the VTB Noteholders (as defined below) for the next six months.

Furthermore, the ratio of Total Funded Debt to EBITDA was 2.74, the debt service coverage ratio was 1.89 and the working capital current ratio was 1.33 as at March 31, 2019. DCM was in compliance with these covenants as at March 31, 2019 and it expects to be compliant with these covenants going forward.

Under the terms of the Crown Facility agreement, DCM must maintain (i) a fixed charge ratio, at the end of each quarter, of no less than (a)1.1 to 1.0 for the fiscal quarter ending June 30, 2018, (b) 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and (c) 1.4 to 1.0 for each fiscal quarter thereafter; and (ii) a net debt to EBITDA ratio, of not greater than 4.0 to 1.0 for each quarter up until December 31, 2019 and 3.0 to 1.0 for each quarter thereafter. On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet a fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019. On February 8, 2019, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarter ending June 30, 2019. As at March 31, 2019, the fixed charge coverage ratio was 1.29 and the net debt to EBITDA ratio was 2.93. DCM was in compliance with these covenants as at March 31, 2019 and it expects to be compliant with these covenants going forward.

A failure by DCM to comply with its obligations under any of the amended Bank Credit Agreement, the IAM Credit Agreements or the Crown Facility agreement, together with certain other events, including a change of control of DCM and a change in DCM's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM III, IAM IV and IAM V, 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. DCM 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 DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants over the next twelve months.

DCM's obligations under the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility, the IAM V Credit Facility, and the Crown Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates. On February 22, 2017, DCM 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 DCM, Eclipse and Thistle (the "Original Inter-Creditor Agreement"). On June 28, 2017, a second inter-creditor agreement was entered into in order to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include IAM V as a 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. Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement (the “Second A&R ICA”) between the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

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

In assessing DCM’s liquidity requirements, DCM takes into account its level of cash, together with currently projected cash to be provided by operating activities, cash available from its unused credit facilities, cash from investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing restructuring activities, as well as its ongoing cash needs for its existing operations. DCM expects there to be sufficient liquidity to fund its currently projected operating requirements including expenditures related to its growth strategy, payments associated with various restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities, cash required to finance currently planned capital expenditures and funds required to meets its debt repayment obligations. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DCM’s products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DCM’s operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DCM’s ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

CASH FLOW FROM OPERATIONS

During the three months ended March 31, 2019, cash flows generated by operating activities were $10.1 million compared to cash flows generated by operating activities of $6.1 million during the same period in 2018. Current period cash flow from operations, after adjusting for non-cash items, generated a total of $6.7 million compared with $5.5 million for the same period last year. As a result of the adoption of IFRS 16, $2.5 million lease payments are now presented as cash used for financing activities in the condensed interim consolidated statement of cash flow. In the prior year comparative period, this was classified as a reduction of operating activities thereby contributing to the variance in cash flow from operations year over year. In addition, current period cash flows from operations were negatively impacted by the decrease in revenues however this was slightly offset by an improvement in gross margin as a percent of revenue and a decline in SG&A expenses.

Changes in working capital during the three months ended March 31, 2019 generated $6.0 million in cash compared with $3.7 million of cash generated in the prior year. $6.8 million of the increase in current period working capital was primarily a result of DCM's continued efforts to better align the timing of payments to its suppliers with collections on outstanding receivables from its customers. This was slightly offset by higher volumes in inventory purchases thereby reducing working capital by $1.2 million.

Lastly, there were lower payments for severances and lease termination payments related to DCM's restructuring initiatives totaling $1.4 million during the current period compared with $2.2 million for the same period last year.

INVESTING ACTIVITIES

For the three months ended March 31, 2019, $2.3 million in cash flows were used for investing activities compared with $1.4 million during the same period in 2018. In the current period, $0.5 million of cash was primarily used to invest in IT equipment and costs related to leasehold improvements to set up production equipment compared with $0.6 million of capital expenditures incurred in the first quarter of 2018 related to investments in IT equipment and costs related to leasehold improvements, which were incurred as part of DCM's consolidation of certain facilities. Furthermore, $1.8 million of cash was used to further invest in the development of DCM's new ERP system compared with $0.9 million for the same period last year.

FINANCING ACTIVITIES

For the three months ended March 31, 2019, cash flow used for financing activities was $5.2 million compared with $4.8 million during the same period in 2018. A total of $1.4 million in outstanding principal amounts under its various credit facilities were repaid during the period compared with $1.9 million during the same period last year. In addition, $2.7 million was repaid in the current quarter related to the vendor take-back promissory notes issued in connection with the acquisitions of Eclipse, Thistle and BOLDER Graphics compared with $2.8 million in the prior year comparative period. The Eclipse and Thistle VTBs were fully repaid in the first quarter of 2019. As noted under "Cash Flow From Operations", as a result of the adoption of IFRS 16, $2.5 million in lease payments are now presented as cash used for financing activities whereas this is presented as a reduction of cash from operations in the prior year comparative period, thereby contributing to the overall variance in cash used for financing activities. Lastly, proceeds of $1.6 million was received in the current period by way of a draw on DCM's revolving credit facility with the Bank.

Outstanding share data

At May 9, 2019, March 31, 2019 and December 31, 2018, there were 21,523,515 common shares of DCM ("Common Shares") outstanding.

At May 9, 2019 and March 31, 2019, there were options outstanding to purchase up to 2,031,957 Common Shares and at December 31, 2018, there were options outstanding to purchase up to 1,991,957 Common Shares. During the three months ended March 31, 2019, the Board approved awards of options to purchase up to 40,000 Common Shares for a member of DCM's Board. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the Common Shares on March 28, 2019. The options vest at a rate of 1/36th per month beginning on March 28, 2019. The fair value of the options issued was estimated to be $22.8 thousand using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.45%, a weighted average life of seven years, a dividend yield of nil, an expected volatility of 40% and a forfeiture rate of 10%. During the three months ended March 31, 2019, there were no forfeitures of options to purchase Common Shares.

At May 9, 2019, March 31, 2019 and December 31, 2018, there were warrants outstanding to purchase up to 2,251,550 Common Shares.

Contractual obligations

DCM believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at March 31, 2019.

Although the majority of the operating lease commitments disclosed in the 2018 Annual MD&A have been recorded as a ROU Asset and lease liability in the condensed interim consolidated statement of financial position as at March 31, 2019, as a result of the adoption of IFRS 16, these continue to represent contractual obligations of the company.

DCM believes that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

Summary of eight quarter results

TABLE 6 The following table summarizes quarterly financial information for the past eight quarters.

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

	2019	2018				2017		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2
Revenues	**$ 78,549**	$81,152	$74,925	$78,176	$88,516	$76,125	$70,212	$ 73,066
Net income (loss) attributable to shareholders	**(323)**	842	838	(1,194)	1,763	(2,459)	(1,068)	(581)
Basic earnings (loss) per share	**(0.02)**	0.04	0.04	(0.09)	0.14	(0.12)	(0.06)	0.04
Diluted earnings (loss) per share	**(0.02)**	0.04	0.04	(0.09)	0.14	(0.12)	(0.06)	0.04

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended March 31, 2019 can be attributed to several principal factors: the adoption of IFRS 16 on January 1, 2019, the adoption of IFRS 9 and 15 on January 1, 2018, the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, revenue declines in DCM's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, refinement of DCM's pricing discipline, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers, and restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives.

DCM's net loss for the first quarter of 2019 included the impact on adoption of IFRS 16, in addition to the operating results of Perennial for the full quarter of 2019, restructuring expenses of $1.7 million related to its cost reduction initiatives, and $0.4 million of one-time business reorganization costs that did not qualify as a restructuring expense.

DCM's net income for the first quarter of 2018 included the impact on adoption of IFRS 9 and 15, and the operating results of Eclipse, Thistle and BOLDER Graphics, restructuring expenses of $0.1 million related to its cost reduction initiatives, and $0.3 million of one-time business reorganization costs that did not qualify as a restructuring expense.

DCM's net income for the fourth quarter of 2018 included the impact on adoption of IFRS 9 and 15, and the operating results of Perennial and BOLDER Graphics for the full quarter of 2018, restructuring expenses of $1.8 million related to its cost reduction initiatives. DCM's net loss for the fourth quarter of 2017 included operating results of Eclipse, Thistle and BOLDER Graphics, restructuring expenses of $4.5 million, $0.4 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.4 million.

DCM’s net income for the third quarter of 2018 included the impact on adoption of IFRS 9 and 15, and the operating results of Perennial for the full quarter of 2018. DCM’s net loss for the third quarter of 2017 included operating results of Eclipse and Thistle as well as restructuring cost initiatives of $1.4 million related to its cost reduction initiatives.

DCM’s net income for the second quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of BOLDER Graphics for the full quarter of 2018, partial operating results of Perennial, restructuring expenses of $0.7 million related to its cost reduction initiatives, $0.8 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.3 million. DCM’s net loss for the second quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.7 million related to its cost reduction initiatives.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies and critical accounting estimates and judgments as disclosed in DCM's audited annual consolidated financial statements have been applied consistently in the preparation of its unaudited condensed interim consolidated financial statements, with the exception of the accounting standards implemented in 2018 which are outlined in notes 2 and 3 of the Notes to the consolidated financial statements of DCM for the three months ended March 31, 2019.

On January 1, 2019, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The impact of the implementation of these standards on DCM’s condensed interim consolidated financial statements are described below.

IFRS 16 - LEASES

IFRS 16 Leases was issued in January 2016. It supersedes the International Accounting Standard Board's ("IASB") prior lease standard, IAS 17 Leases, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for them according to the respective classification.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize a ROU Asset and a lease liability for all leases but can elect to exclude those with a term of less than twelve months and for which the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

DCM elected to adopt IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, Determining whether an Arrangement contains a Lease.

IFRS 16 provides for certain practical expedients and exemptions, including those related to the initial adoption of the standard. DCM applied the following practical expedients, permitted by the standard, upon adoption of IFRS 16:

- the use of a single discount rate to a portfolio of equipment leases with reasonably similar characteristics;
- reliance on previous assessments under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- the accounting for operating leases (on a lease- by-lease basis) with underlying value of assets being less than $5 thousand CAD;
- the exclusion of initial direct costs for the measurement of the ROU Asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- election, by class of underlying asset, not to separate non-lease components from lease components.

DCM has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date DCM relied on its assessment made applying IAS 17 and IFRIC 4.

The details of DCM's leasing activities, new significant accounting policies and the impact of the changes from the previous significant accounting policies are set out below.

AS A LESSEE

DCM leases various offices, warehouses and machinery and office equipment. Rental contracts are typically made for fixed periods of 1 to 13 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. DCM has options to purchase certain manufacturing equipment for a nominal amount or the then fair market value, to extend the term, or return the equipment at the end of the lease term. The obligations are secured by the lessors' title to the leased asset for such leases.

DCM assesses, at the inception of a contract, whether a contract is, or contains, a lease. A lease is a contract in which the right to control the use of an identified asset is granted for an agreed upon period of time in exchange for consideration. DCM assessed whether a contract conveys the right to control the use of an identified asset when there is both the right to direct the use of the asset and obtain substantially all the economic benefits from that use. Effective January 1, 2019, DCM recognizes a ROU Asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the non-cancellable lease payments over the lease term and discounted at DCM's incremental borrowing rate. Lease payments include fixed payments and such variable payments that depend on an index or a rate; less any lease incentives receivable.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in DCM's estimate of the amount expected to be payable under a residual value guarantee, or if DCM changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset, with any difference recorded in the condensed interim statement of operations.

The ROU Asset is measured at cost, which comprises the initial lease liability, lease payments made at or before the lease commencement date, initial direct costs and restoration obligations less lease incentives. The ROU Asset is subsequently measured at amortized cost.

The assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if DCM is reasonably certain to exercise that option. The ROU Asset is assessed for impairment in accordance with the requirements of IAS 36 *Impairment of Assets*.

On a lease by lease basis, DCM also exercises the option available for contracts comprising lease components as well as non-lease components, not to separate these components. Payments to the lessor for variable costs associated with the lease, including variable payments to the lessor related to non-lease components, are not included in the measurement of the lease liability, and are expensed as incurred in the condensed interim consolidated statement of operations.

Extension and termination options exist for DCM's property leases. DCM re-measures the lease liability, when there is a change in the assessment of the inclusion of the extension option in the lease term, resulting from a change in facts and circumstances.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed interim consolidated statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low value assets comprise IT equipment and small items of office furniture.

AS AN INTERMEDIATE LESSOR

DCM enters into sub-leases as an intermediate lessor. It accounts for its interest in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease as either an operating lease or a finance lease with reference to the ROU Asset arising from the head lease. If a head lease is a short-term lease to which DCM applies the exemption described above, then the sub-lease is classified as an operating lease.

USE OF SIGNIFICANT ESTIMATES AND JUDGMENT

(i) DCM uses significant judgment when determining whether a contract contains an identified asset, and whether DCM has the right to control the use of the identified asset.

(ii) DCM also makes significant judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate represents the rate DCM would pay to borrow funds to obtain the underlying asset over a similar term and with similar security. This requires judgment to determine the financing spread adjustment based on existing credit facilities and a lease-specific adjustment based on the underlying asset.

(iii) In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IMPACT OF ADOPTION OF IFRS 16:

The following table summarizes the impact of adopting IFRS 16 on DCM's condensed interim consolidated statement of financial position as at January 1, 2019:

(in thousands of Canadian dollars, unaudited)	***December 31, 2018 prior to the adoption of IFRS 16***	***Impact of adopting IFRS 16***	***January 1, 2019 after the adoption of IFRS 16***
Prepaid expenses and other current assets [c]	3,519	31	3,550
Other non-current assets [c]	827	257	1,084
Right-of-use assets [a] [b] [c]	—	56,879	56,879
Property, plant and equipment [a]	16,804	(29)	16,775
Trade payables and accrued liabilities [a][b]	43,497	(239)	43,258
Provisions (current portion) [c]	2,908	(105)	2,803
Provisions (non-current portion) [c]	540	(211)	329
Lease liabilities [a]	—	60,645	60,645
Other non-current liabilities [b]	3,272	(2,952)	320

(a) Previously under IAS 17, leases were classified as financing or operating leases depending on the terms and conditions of the contracts.

Leases previously classified as finance leases under IAS 17, where DCM assumed substantially all the risks and rewards of ownership, were initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. On adoption of IFRS 16, for such leases previously classified as finance leases, DCM recognized the carrying amount of the lease asset and lease liability immediately before transition in the amount of $29 thousand as the carrying amount of the ROU Asset and the lease liability at the date of initial application. The application of IFRS 16 to these leases as at January 1, 2019 resulted in the equipment held under finance lease arrangements previously presented within property, plant, and equipment, and the obligation previously presented under trade payables and accrued liabilities on the statement of financial position, to be presented as a ROU Asset and a lease liability.

Payments made under leases previously classified as operating leases were charged to the statement of operations on a straight-line basis over the period of the lease. On adoption of IFRS 16, DCM recognized a lease liability and a ROU Asset in relation to substantially all leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019, which amounted to $60.6 million. The ROU Asset was measured at the amount equal to the lease liability, adjusted by the amount of prepaid and accrued lease payments relating to that lease (as noted below) recognized on the statement of financial position as at January 1, 2019.

(b) Deferred lease inducements and lease escalation liabilities previously recognized with respect to operating leases in accordance with SIC-15, *Operating leases- Incentives* ("SIC-15"), have been derecognized, and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU Asset as at that date for a total of $3.2 million. Under SIC-15, payments made under operating leases net of lease inducements were recognized in the statement of operations on a straight-line basis over the term of the lease. Previously deferred lease inducements and lease escalation liabilities were included within other non-current liabilities and trade payables and accrued liabilities' on the statement of financial position.

(c) Provisions for onerous operating lease contracts and unfavourable lease obligations have been derecognized and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU Asset for a total of $0.3 million. This results in a reduction to the onerous lease provision and the unfavourable lease obligation included within "Provisions" on the statement of financial position. With respect to an onerous lease where DCM entered into a sublease whereby the rent payments received were lower than the rent payments paid for the head lease, DCM has classified the sublease as a finance lease receivable for $0.5 million, which is included in prepaid expenses and other current assets, and other non-current assets on the statement of financial position.

Prepaid lease payments previously recognized for operating leases have been derecognized from prepaid expenses and other current assets on the statement of financial position, and the balance as of January 1, 2019 has been adjusted to increase the ROU Asset as at that date for a total of $0.2 million.

RECONCILIATION TO THE OPENING BALANCE:

The following reconciliation to the opening balance for the lease liability as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

(in thousands of Canadian dollars)		**January 1, 2019**
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	**$**	**59,925**
Undiscounted cash flows for lease commitments related to leases not yet commenced		**(8,591)**
Undiscounted cash flows for extension options reasonably certain to be exercised		**38,932**
Recognition exemption for short-term and low dollar value leases		**(519)**
		89,747
Leases previously classified as finance leases under IAS 17		**29**
Discounted using the incremental borrowing rate at January 1, 2019		**(29,131)**
Lease liabilities recognized at January 1, 2019	**$**	**60,645**
Current		**6,762**
Non-current		**53,883**

When measuring lease liabilities, DCM discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.70%.

The recognized ROU Asset relates to the following types of assets:

(in thousands of Canadian dollars)		**January 1, 2019**
Property	**$**	**48,720**
Office equipment		**419**
Production equipment		**7,740**
	$	**56,879**

IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. DCM adopted the amendments to IFRIC 23 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM’s condensed interim consolidated financial statements.

IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

In February 2018, the IASB issued amendments to IAS 19 Employee Benefits with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM adopted the amendment to IAS 19 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's condensed interim 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 DCM.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 3 BUSINESS COMBINATIONS (AMENDMENT)

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (AMENDMENT)

In October 2012, the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

Management's report on internal controls over financial reporting

DCM's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of DCM for external purposes in accordance with IFRS.

DCM's management has determined that there have been no changes in the internal controls over financial reporting of DCM during the period beginning on January 1, 2019 and ending on March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DCM.

Outlook

DCM continues its focus on providing additional products and services to its core client base. In addition, with the enhanced retail and consumer insight capabilities of Perennial, DCM is focused on capturing new client business due to the innovative ideas and exceptional executional capabilities being presented to clients. The Company's "pitched and pending" sales pipeline is at historic highs with both current and new clients. Pricing discipline continues to be an important priority.

A focus on improving gross margin as a percent of revenue and reducing SG&A expenses will continue throughout the balance of 2019. Initiatives on this front include improving efficiencies in plants, review of supplier contracts and relationships, process and workflow improvements, and passing on input price increases to customers. Further, the expected completion of the company's ERP system is expected to result in annualized cost savings of approximately $2 to $3 million per year.

DCM reduced its fixed-term debt and promissory notes obligations by approximately $4 million in the first quarter of 2019 and expects to repay a total of approximately $10 million in our outstanding fixed term debt obligations by the end of 2019 compared to the end of 2018.

At the outset of 2019, management of DCM set out five business priorities:

- Focus on its core customers;
- Continue to improve gross margins;
- Reduce its selling, general and administrative expenses;
- Pay down debt; and
- Make strategic investments in technologies that clients request and value to support future growth.

The first quarter results reflect our heightened focus on these five business priorities.

Management remains optimistic for the year, despite the continued presence of price increases on raw materials and secular declines in traditional print and production.

Risks and uncertainties

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

Consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)	**March 31, 2019**	December 31, 2018
ASSETS		
CURRENT ASSETS		
Trade receivables (note 4)	**$ 73,131**	$ 73,124
Inventories (note 5)	**10,022**	8,812
Prepaid expenses and other current assets (note 3)	**2,657**	3,519
	85,810	85,455
NON-CURRENT ASSETS		
Other non-current assets	**1,050**	827
Deferred income tax assets (note 10)	**2,391**	3,428
Restricted cash (note 8)	**515**	515
Property, plant and equipment	**16,133**	16,804
Right-of-use assets (note 6)	**60,637**	—
Intangible assets	**19,305**	18,164
Goodwill	**17,038**	17,038
	$ 202,879	$ 142,231
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft (note 8)	**$ 1,357**	$ 3,999
Trade payables and accrued liabilities	**50,093**	43,497
Current portion of credit facilities (note 8)	**5,767**	5,670
Current portion of promissory notes (note 9)	**1,336**	4,013
Current portion of lease liabilities (note 6)	**7,879**	—
Provisions (note 7)	**2,820**	2,908
Income taxes payable	**2,355**	3,152
Deferred revenue	**1,149**	1,477
	72,756	64,716
NON-CURRENT LIABILITIES		
Provisions (note 7)	**565**	540
Credit facilities (note 8)	**51,998**	51,751
Promissory notes (note 9)	**1,383**	1,363
Lease liabilities (note 6)	**56,702**	—
Deferred income tax liabilities (note 10)	**596**	1,753
Other non-current liabilities (note 11)	**225**	3,272
Pension obligations	**8,501**	8,346
Other post-employment benefit plans	**3,043**	2,978
	$ 195,769	$ 134,719
EQUITY		
SHAREHOLDERS' EQUITY / (DEFICIT)		
Shares (note 12)	**$ 251,217**	$ 251,217
Warrants (note 12)	**806**	806
Contributed surplus	**1,915**	1,841
Translation reserve	**273**	242
Deficit	**(247,101)**	(246,594)
	$ 7,110	$ 7,512
	$ 202,879	$ 142,231

Commitments and Contingencies (note 15); Subsequent events (note 18)

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 March 31, 2019**		For the three months ended March 31, 2018
REVENUES (note 17)	**$**	**78,549**	$	88,516
COST OF REVENUES		**57,787**		67,041
GROSS PROFIT		**20,762**		21,475
EXPENSES				
Selling, commissions and expenses		**9,305**		10,461
General and administration expenses		**7,853**		7,211
Restructuring expenses (note 7)		**1,682**		64
Acquisition costs		**—**		43
		18,840		17,779
INCOME BEFORE FINANCE COSTS AND INCOME TAXES		**1,922**		3,696
FINANCE COSTS				
Interest expense, net		**2,132**		1,137
Amortization of transaction costs		**137**		143
		2,269		1,280
(LOSS) INCOME BEFORE INCOME TAXES		**(347)**		2,416
INCOME TAX (RECOVERY) EXPENSE				
Current		**32**		843
Deferred		**(56)**		(190)
		(24)		653
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(323)**	$	1,763
BASIC (LOSS) EARNINGS PER SHARE (note 13)	**$**	**(0.02)**	$	0.09
DILUTED (LOSS) EARNINGS PER SHARE (note 13)	**$**	**(0.02)**	$	0.09

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

Consolidated statements of comprehensive (loss) income

(in thousands of Canadian dollars, unaudited)		**For the three months ended March 31, 2019**		For the three months ended March 31, 2018
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(323)**	$	1,763
OTHER COMPREHENSIVE (LOSS) INCOME:				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME				
Foreign currency translation		**31**		22
		31		22
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME				
Re-measurements of pension and other post-employment benefit obligations		**(249)**		323
Taxes related to pension and other post-employment benefit adjustment above		**65**		(84)
		(184)		239
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD, NET OF TAX	**$**	**(153)**	$	261
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**$**	**(476)**	$	2,024

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

Consolidated statements of changes in shareholders' equity (deficit)

(in thousands of Canadian dollars, unaudited)	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity (deficit)
Balance as at December 31, 2017	$ 248,996	$ 287	$ —	$ 1,368	$ 183	$ (256,233)	$ (5,399)
Balance as at Impact of change in accounting policy						8,365	8,365
	$ 248,996	$ 287	$ —	$ 1,368	$ 183	$ (247,868)	$ 2,966
Net income for the period	—	—	—	—	—	1,763	1,763
Other comprehensive loss for the period	—	—	—	—	22	239	261
Total comprehensive loss for the period	—	—	—	—	22	2,002	2,024
Share-based compensation expense	—	—	—	94	—	—	94
Balance as at March 31, 2018	$ 248,996	$ 287	$ —	$ 1,462	$ 205	$ (245,866)	$ 5,084
BALANCE AS AT DECEMBER 31, 2018	**$ 251,217**	**$ 806**	**$ —**	**$ 1,841**	**$ 242**	**$ (246,594)**	**$ 7,512**
Net loss for the period	**—**	**—**	**—**	**—**	**—**	**(323)**	**(323)**
Other comprehensive loss for the period	**—**	**—**	**—**	**—**	**31**	**(184)**	**(153)**
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**31**	**(507)**	**(476)**
Share-based compensation expense	**—**	**—**	**—**	**74**	**—**	**—**	**74**
BALANCE AS AT MARCH 31, 2019	**$ 251,217**	**$ 806**	**$ —**	**$ 1,915**	**$ 273**	**$ (247,101)**	**$ 7,110**

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 March 31, 2019**		For the three months ended March 31, 2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net (loss) income for the period	**$**	**(323)**	$	1,763
Adjustments to net (loss) income				
Depreciation of property, plant and equipment		**1,119**		1,148
Amortization of intangible assets		**647**		1,069
Depreciation of right-of-use-assets (note 6)		**2,077**		—
Interest expense on lease liability (note 6)		**901**		—
Share-based compensation expense		**74**		94
Pension expense (note 16)		**148**		134
Loss (gain) on disposal of property, plant and equipment		**55**		(124)
Provisions (note 7)		**1,682**		64
Amortization of transaction costs (note 8)		**137**		143
Accretion of non-current liabilities and related interest expense		**112**		161
Other non-current liabilities		**—**		326
Other post-employment benefit plans, net		**65**		67
Income tax (recovery) expense		**(24)**		653
		6,670		5,498
Changes in working capital (note 14)		**5,967**		3,689
Contributions made to pension plans		**(242)**		(284)
Provisions paid (note 7)		**(1,429)**		(2,154)
Income taxes paid		**(831)**		(616)
		10,135		6,133
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(503)**		(621)
Addition to intangible assets		**(1,788)**		(902)
Proceeds on disposal of property, plant and equipment		**—**		124
		(2,291)		(1,399)
FINANCING ACTIVITIES				
Proceeds from credit facilities (note 8)		**1,676**		—
Repayment of credit facilities (note 8)		**(1,383)**		(1,879)
Repayment of other liabilities		**(100)**		(101)
Repayment of promissory notes (note 9)		**(2,731)**		(2,808)
Transaction costs (note 8)		**(108)**		(5)
Lease payments		**(2,549)**		(7)
		(5,195)		(4,800)
DECREASE (INCREASE) IN BANK OVERDRAFT DURING THE PERIOD		**2,649**		(66)
BANK OVERDRAFT – BEGINNING OF PERIOD	**$**	**(3,999)**	$	(2,868)
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**(7)**		18
BANK OVERDRAFT – END OF PERIOD	**$**	**(1,357)**	$	(2,916)

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 March 31, 2019 and 2018

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

1 General Information

DATA Communications Management Corp. ("DCM") is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with its customers. DCM pairs customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power its clients' go-to market strategies. DCM helps its clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

DCM's extensive experience has positioned it as an expert at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. As a result of its locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print or digital formats.

On February 22, 2017, DCM 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. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On January 1, 2019, Thistle was amalgamated into DCM. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a company focused on large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

On November 7, 2018, DCM announced that Perennial, a wholly owned subsidiary of DCM, and Aphria Inc. ("Aphria"), a leading global cannabis company, had entered into a joint venture agreement (the "JV") for the purpose of the development, production, marketing and sale of non-Aphria branded new products, brands and product categories on the domestic and international adult-use cannabis markets. The JV will initially focus on cannabis-infused products for the wellness, medical and adult-use markets. The JV is owned equally by Perennial and Aphria. It will select specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV agreement includes typical terms related to corporate governance, capital contributions, intellectual property, and other standard matters. As at March 31, 2019 and for the period then ended, the JV did not have any significant balances or transactions.

DCM'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, DCM'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 DCM are listed on the Toronto Stock Exchange ("TSX") under the symbol "DCM". The address of the registered office of DCM is 9195 Torbram Road, Brampton, Ontario.

2 Basis of presentation and significant accounting policies

DCM prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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 DCM's consolidated financial statements for the year ended December 31, 2018, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2019 and disclosed in note 3. Where applicable, DCM 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, 2019, as issued and outstanding as of May 9, 2019, the date the Board of Directors ("Board") approved these financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DCM's consolidated annual financial statements for the year ended December 31, 2018 which have been prepared in accordance with IFRS.

3 Change in accounting policies

(a) New and amended standards adopted

On January 1, 2019, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the implementation of these standards on DCM's condensed interim consolidated financial statements are described below.

IFRS 16 - LEASES

IFRS 16 *Leases* was issued in January 2016. It supersedes the International Accounting Standard Board's ("IASB") prior lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for them according to the respective classification.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset ("ROU Asset") and a lease liability for all leases but can elect to exclude those with a term of less than twelve months and for which the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

DCM elected to adopt IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease.*

IFRS 16 provides for certain practical expedients and exemptions, including those related to the initial adoption of the standard. DCM applied the following practical expedients, permitted by the standard, upon adoption of IFRS 16:

- the use of a single discount rate to a portfolio of equipment leases with reasonably similar characteristics;
- reliance on previous assessments under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;

- the accounting for operating leases (on a lease- by-lease basis) with underlying value of assets being less than $5,000 CAD as low dollar value leases;
- the exclusion of initial direct costs for the measurement of the ROU Asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- election, by class of underlying asset, not to separate non-lease components from lease components.

DCM has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date DCM relied on its assessment made applying IAS 17 and IFRIC 4.

The details of DCM's leasing activities, new significant accounting policies and the impact of the changes from the previous significant accounting policies are set out below.

AS A LESSEE

DCM leases various offices, warehouses and machinery and office equipment. Rental contracts are typically made for fixed periods of 1 to 13 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. DCM has options to purchase certain manufacturing equipment for a nominal amount or the then fair market value, to extend the term, or return the equipment at the end of the lease term. The obligations are secured by the lessors' title to the leased asset for such leases.

DCM assesses, at the inception of a contract, whether a contract is, or contains, a lease. A lease is a contract in which the right to control the use of an identified asset is granted for an agreed upon period of time in exchange for consideration. DCM assessed whether a contract conveys the right to control the use of an identified asset when there is both the right to direct the use of the asset and obtain substantially all the economic benefits from that use. Effective January 1, 2019, DCM recognizes a ROU Asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the non-cancellable lease payments over the lease term and discounted at DCM's incremental borrowing rate. Lease payments include fixed payments and such variable payments that depend on an index or a rate; less any lease incentives receivable.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in DCM's estimate of the amount expected to be payable under a residual value guarantee, or if DCM changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset, with any difference recorded in the condensed interim statement of operations.

The ROU Asset is measured at cost, which comprises the initial lease liability, lease payments made at or before the lease commencement date, initial direct costs and restoration obligations less lease incentives. The ROU Asset is subsequently measured at amortized cost.

The assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if DCM is reasonably certain to exercise that option. The ROU Asset is assessed for impairment in accordance with the requirements of IAS 36 *Impairment of Assets*.

On a lease by lease basis, DCM also exercises the option available for contracts comprising lease components as well as non-lease components, not to separate these components. Payments to the lessor for variable costs associated with the lease, including variable payments to the lessor related to non-lease components, are not included in the measurement of the lease liability, and are expensed as incurred in the condensed interim consolidated statement of operations.

Extension and termination options exist for DCM's property leases. DCM re-measures the lease liability, when there is a change in the assessment of the inclusion of the extension option in the lease term, resulting from a change in facts and circumstances.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed interim consolidated statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low value assets comprise IT equipment and small items of office furniture.

AS AN INTERMEDIATE LESSOR

DCM enters into sub-leases as an intermediate lessor. It accounts for its interest in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease as either an operating lease or a finance lease with reference to the ROU Asset arising from the head lease. If a head lease is a short-term lease to which DCM applies the exemption described above, then the sub-lease is classified as an operating lease.

USE OF SIGNIFICANT ESTIMATES AND JUDGMENT

(i) DCM uses significant judgment when determining whether a contract contains an identified asset, and whether DCM has the right to control the use of the identified asset.

(ii) DCM also makes significant judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate represents the rate DCM would pay to borrow funds to obtain the underlying asset over a similar term and with similar security. This requires judgment to determine the financing spread adjustment based on existing credit facilities and a lease-specific adjustment based on the underlying asset.

(iii) In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IMPACT OF ADOPTION OF IFRS 16:

The following table summarizes the impact of adopting IFRS 16 on DCM's condensed interim consolidated statement of financial position as at January 1, 2019:

(in thousands of Canadian dollars, unaudited)	***December 31, 2018 prior to the adoption of IFRS 16***	***Impact of adopting IFRS 16***	***January 1, 2019 after the adoption of IFRS 16***
Prepaid expenses and other current assets (c)	3,519	31	3,550
Other non-current assets (c)	827	257	1,084
Right-of-use assets (a) (b) (c)	—	56,879	56,879
Property, plant and equipment (a)	16,804	(29)	16,775
Trade payables and accrued liabilities (a)(b)	43,497	(239)	43,258
Provisions (current portion) (c)	2,908	(105)	2,803
Provisions (non-current portion) (c)	540	(211)	329
Lease liabilities (a)	—	60,645	60,645
Other non-current liabilities (b)	3,272	(2,952)	320

(a) Previously under IAS 17, leases were classified as financing or operating leases depending on the terms and conditions of the contracts.

Leases previously classified as finance leases under IAS 17, where DCM assumed substantially all the risks and rewards of ownership, were initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. On adoption of IFRS 16, for such leases previously classified as finance leases, DCM recognized the carrying amount of the lease asset and lease liability immediately before transition in the amount of $29 as the carrying amount of the ROU Asset and the lease liability at the date of initial application. The application of IFRS 16 to these leases as at January 1, 2019 resulted in the equipment held under finance lease arrangements previously presented within property, plant, and equipment, and the obligation previously presented under trade payables and accrued liabilities on the statement of financial position, to be presented as a ROU Asset and a lease liability.

Payments made under leases previously classified as operating leases were charged to the statement of operations on a straight-line basis over the period of the lease. On adoption of IFRS 16, DCM recognized a lease liability and a ROU Asset in relation to substantially all leases which had previously been classified as ‘operating leases’ under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019, which amounted to $60,616. The ROU Asset was measured at the amount equal to the lease liability, adjusted by the amount of prepaid and accrued lease payments relating to that lease (as noted below) recognized on the statement of financial position as at January 1, 2019.

(b) Deferred lease inducements and lease escalation liabilities previously recognized with respect to operating leases in accordance with SIC-15, *Operating leases- Incentives* ("SIC-15"), have been derecognized, and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU Asset as at that date for a total of $3,162. Under SIC-15, payments made under operating leases net of lease inducements were recognized in the statement of operations on a straight-line basis over the term of the lease. Previously deferred lease inducements and lease escalation liabilities were included within other non-current liabilities and trade payables and accrued liabilities on the statement of financial position.

(c) Provisions for onerous operating lease contracts and unfavourable lease obligations have been adjusted as a reduction to the ROU Asset as at January 1, 2019 for a total of $316. This results in a reduction to the onerous lease provision and the unfavourable lease obligation included within “Provisions” on the statement of financial position. With respect to an onerous lease where DCM entered into a sublease whereby the rent payments received were lower than the rent payments paid for the head lease, DCM has classified the sublease as a finance lease receivable for $506, which is included in prepaid expenses and other current assets, and other non-current assets on the statement of financial position.

Prepaid lease payments previously recognized for operating leases have been derecognized from prepaid expenses and other current assets on the statement of financial position, and the balance as of January 1, 2019 has been adjusted to increase the ROU Asset as at that date for a total of $218.

RECONCILIATION TO THE OPENING BALANCE:

The following reconciliation to the opening balance for the lease liability as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

(in thousands of Canadian dollars)		**January 1, 2019**
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	**$**	**59,925**
Undiscounted cash flows for lease commitments related to leases not yet commenced		**(8,591)**
Undiscounted cash flows for extension options reasonably certain to be exercised		**38,932**
Recognition exemption for short-term and low dollar value leases		**(519)**
		89,747
Leases previously classified as finance leases under IAS 17		**29**
Discounted using the incremental borrowing rate at January 1, 2019		**(29,131)**
Lease liabilities recognized at January 1, 2019	**$**	**60,645**
Current		**6,762**
Non-current		**53,883**

When measuring lease liabilities, DCM discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.70%.

The recognized ROU Asset relates to the following types of assets:

(in thousands of Canadian dollars)		**January 1, 2019**
Property	**$**	**48,720**
Office equipment		**419**
Production equipment		**7,740**
	$	**56,879**

IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. DCM adopted the amendments to IFRIC 23 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's condensed interim consolidated financial statements.

IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM adopted the amendment to IAS 19 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's condensed interim consolidated financial statements.

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

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 DCM.

(b) Future accounting standards not yet adopted.

IFRS 3 BUSINESS COMBINATIONS (AMENDMENT)

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)* aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (AMENDMENT)

In October 2012, the IASB issued *Definition of Material (Amendments to IAS 1 and IAS 8)* to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The amendments are effective for annual periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

4 Trade receivables

		March 31, 2019		December 31, 2018
Trade receivables	**$**	**73,666**	$	73,919
Provision for doubtful accounts		**(535)**		(795)
	$	**73,131**	$	73,124

As at March 31, 2019, trade receivables include unbilled receivables of $30,200 (2018 - $29,114), net of an expected credit loss allowance of $337 (2018 - $453).

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2019 and 2018

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

5 Inventories

		March 31, 2019		December 31, 2018
Raw materials	**$**	**5,526**	$	4,779
Work-in-progress		**3,273**		2,810
Finished goods		**1,223**		1,223
	$	**10,022**	$	8,812

Raw materials inventory amount is net of obsolescence reserves of $282 (2018 – $250). Finished goods at March 31, 2019 and December 31, 2018 consist of base stock items.

6 Leases

(i) *ROU ASSET*

(in thousands of Canadian dollars, unaudited)	***Property***	**Office Equipment**	***Production Equipment***		***Total***
Balance, January 1, 2019	48,720	419	7,740	$	56,879
Additions	—	1,758	4,077		5,835
Depreciation charge for the period	(1,139)	(195)	(743)		(2,077)
Balance, March 31, 2019	47,581	1,982	11,074		60,637

(ii) *LEASE LIABILITIES*

The contractual undiscounted cash flows of DCM's lease liabilities are as follows:

(in thousands of Canadian dollars)		**Contractual Cash Flows**		**Extension Options**		**Total March 31, 2019**
Not later than one year	$	10,969	$	—	**$**	**10,969**
Later than one and not later than five years		34,672		4,100		**38,772**
Later than five years		7,443		34,832		**42,275**
Total undiscounted lease liabilities at March 31, 2019	$	53,084	$	38,932	**$**	**92,016**
Discounted using the incremental borrowing rate						**(27,435)**
Lease liabilities at March 31, 2019					**$**	**64,581**
Current						**7,879**
Non-current						**56,702**

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2019 and 2018

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

(iii) AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

(in thousands of Canadian dollars)	**March 31, 2019**
Interest expense on lease liabilities	**$ 901**
Variable lease payments not included in the measurement of lease liabilities	**1,514**
Income from sub-leasing right-of-use assets	**(48)**
Expenses relating to short-term leases and leases of low value assets	**314**

7 Provisions

	Termination provisions	**Onerous contracts**	**Other**	**Total**
Balance – Beginning of period	**$ 2,581**	**$ 653**	**$ 214**	**$ 3,448**
Adoption of IFRS 16 (note 3)	**—**	**(136)**	**(180)**	**(316)**
	2,581	**517**	**34**	**3,132**
Additional charge during the period	**1,682**	**—**	**—**	**1,682**
Utilized during the period	**(878)**	**(517)**	**(34)**	**(1,429)**
Balance – End of period	**$ 3,385**	**—**	**—**	**$ 3,385**
Less: Current portion of provisions	**(2,820)**	**—**	**—**	**(2,820)**
As at March 31, 2019	**$ 565**	**—**	**—**	**$ 565**

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of year	$ 3,468	$ 2,988	$ 196	$ 6,652
Additional charge during the year	2,654	—	134	2,788
Recovery during the year	—	(1,123)	—	(1,123)
Utilized during the year	(3,541)	(1,212)	(116)	(4,869)
Balance – End of year	$ 2,581	$ 653	$ 214	3,448
Less: Current portion of provisions	(2,286)	(571)	(51)	(2,908)
As at December 31, 2018	$ 295	$ 82	$ 163	$ 540

TERMINATION PROVISIONS

During the three months ended March 31, 2019, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. On March 4, 2019, DCM announced the closure of its Brossard manufacturing facility effective April 30, 2019, as part of its strategy to exit the stationery business. The closure of this facility, in addition to other initiatives, resulted in $1,682 of restructuring expenses related to headcount reductions in the condensed interim consolidated statement of operations for the first quarter of 2019. During the three months ended March 31, 2018, total restructuring initiatives resulted in costs incurred of $1,187 due to headcount reductions in the condensed interim consolidated statement of operations.

For the three months ended March 31, 2019, cash payments of $878 (2018 - $1,588) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $3,385 at March 31, 2019 are expected to be paid in 2019 and 2020.

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

ONEROUS CONTRACTS

During the first quarter of 2018, DCM entered into an agreement with the landlord of the Granby, Quebec facility to terminate its existing lease. DCM agreed to make payments to the landlord in two equal installments of $517 each due on May 15, 2018 and January 15, 2019. During the three months ended March 31, 2019, DCM made the last installment payment to the landlord of the facility.

The remaining balance of $136 relates to an onerous sublease contract for the Dorval, Quebec facility. This balance was reclassified as a reduction to the ROU Asset upon the adoption of IFRS 16 (see note 3).

OTHER

During the three months ended March 31, 2019, $34 (2018 - nil) was paid in connection with a contract with a former employee. The remaining balance of $180 relates to an unfavourable lease obligation for its Burlington, Ontario facility in connection with the acquisition of Eclipse where the rent payments exceeded the fair market value. This balance was reclassified as a reduction to the ROU Asset upon the adoption of IFRS 16 (see note 3).

8 Credit facilities

		March 31, 2019		December 31, 2018
Term loans				
- 6.10% term debt, maturing October 15, 2022, (IAM III Credit Facility)		**3,717**		3,947
- 6.95% term debt, maturing March 10, 2023, (IAM IV Credit Facility)		**17,640**		18,589
- 6.95% term debt, maturing May 15, 2023, (IAM V Credit Facility)		**3,957**		4,160
- 10.00% term debt, maturing May 7, 2023, (Crown Facility)		**11,532**		11,511
Revolving facilities				
- floating rate debt, maturing January 31, 2023, (Bank Credit Facility)		**22,475**		20,799
Credit facilities		**59,321**		59,006
Unamortized transaction costs		**(1,556)**		(1,585)
	$	**57,765**	$	57,421
Less: Current portion of Credit facilities		**(5,767)**		(5,670)
Credit facilities	**$**	**51,998**	$	51,751

CREDIT AGREEMENTS

BANK AND IAM FACILITIES

DCM has established a revolving credit facility (the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”) and an amortizing term loan facility (the “IAM IV Credit Facility”) with Integrated Private Debt Fund IV LP ("IAM IV") a fund managed by Integrated Asset Management Corp. ("IAM") pursuant to separate amended and restated credit agreements between DCM and the Bank (as amended, the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”). On November 10, 2017, DCM 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 fund managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the

"IAM Credit Agreements") to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35,000 and the Bank Credit Facility matures on January 31, 2023. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $35,000 and a fixed percentage of DCM's aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.60%. DCM has capitalized transaction costs of $1,027 related to the Bank Credit Facility. For the three months ended March 31, 2019, DCM capitalized additional transaction costs of $90. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at March 31, 2019, the unamortized transaction costs related to the Bank Credit Facility was $414. As at March 31, 2019, there were outstanding borrowings of $22,475 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $725. As at March 31, 2019, all of DCM's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 4.55% per annum. As at March 31, 2019, DCM had access to $7,467 of available credit under the Bank Credit Facility. The bank overdraft of $1,357 on the statement of condensed interim consolidated financial position as at March 31, 2019 includes outstanding cheques which when cashed, would be a draw on the Bank Credit Facility.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility (as defined below), calculated on a consolidated basis in accordance with generally accepted accounting principles ("Total Funded Debt"), cannot exceed $72,000 (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest of $96 over a nine year term ending October 15, 2022. The principal amount of the IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $422 over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest of $91 over a sixty six month term ending in May 15, 2023. As at March 31, 2019, all of DCM's indebtedness outstanding under the IAM III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at March 31, 2019, the unamortized transaction costs and outstanding borrowings related to the IAM III Credit Facility were $22 and $3,717, respectively. As at March 31, 2019, the unamortized transaction costs and outstanding borrowings related to the IAM IV Credit Facility were $398 and $17,640, respectively. As at March 31, 2019, the unamortized transaction costs and outstanding borrowings related to the IAM V Credit Facility were $142 and $3,957, respectively. The unamortized balance of the transaction costs for IAM III Credit Facility, IAM IV Credit Facility and the IAM V Credit Facility are being amortized over the remaining term of each respective facility.

CROWN FACILITY

On May 8, 2018, DCM established a $12,000 non-revolving term loan facility with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Partner Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which $8,226 was used to fund the up-front cash component of the Perennial acquisition and $3,500 was used to repay in full the outstanding balance on its subordinated debt facility with Bridging Finance Inc. ("Bridging Credit Facility"). The balance of the Crown Facility was used for general working capital purposes.

The Crown Facility was made available in one advance on the funding date of May 8, 2018 and bears interest at a fixed rate of 10% per annum, payable quarterly, and the principal amount of the loan is due at maturity, which is 60 months from closing. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and is secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of $12,000 was apportioned to $11,458 to the debt instrument and $542 to the warrant option based on their relative fair values (note 12). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $11,458 to $12,000 over the term of the loan. As at March 31, 2019 the accreted debt instrument was valued at $11,532 including total accretion expense of $21.

The Crown Facility can be prepaid in full at any time after twenty-four (24) months from the date of the funding anniversary. The penalties attached to each option are: (a) 3% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 24th month but before the 36th month following the date of the funding anniversary, (b) 2% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 36th month but before the 48th month following the date of the funding anniversary, or (c) 1% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 48th month but before the 60th month following the date of the funding anniversary.

For the three months ended March 31, 2019, DCM capitalized transaction costs of $18 related to the Crown Facility. The unamortized transaction costs and outstanding borrowings related to the Crown Facility were $580 and $11,532, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility.

BANK LEASE FACILITY

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately $2,400 (“Bank Lease Facility”). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the three month period ended March 31, 2019 was $30. On January 16, 2019, DCM entered into an amendment to extend the interim funding period to March 31, 2019.

Subsequent to period end, on April 29, 2019, DCM entered into a five year lease agreement with the Bank (see note 18).

AMENDMENTS TO CREDIT FACILITIES

Effective May 7, 2018, DCM entered into an amended and restated bank credit agreement (the "A&R Bank Credit Facility") with regards to its Bank Credit Facility, as amended, which incorporated conforming updates to the original Bank Credit Facility dated March 16, 2016 to consolidate the subsequent series of amendments previously made to that facility, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Facility into the A&R Bank Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the A&R Bank Credit Facility.

Effective May 7, 2018, DCM also entered into amended and restated credit agreements with regards to its IAM III Credit Facility (the "IAM III A&R Credit Facility"), its IAM IV Credit Facility (the "IAM IV A&R Credit Facility") and its IAM V Credit Facility (the "IAM V A&R Credit Facility"), each managed by IAM, which, among other things incorporated conforming updates to each of those respective original credit agreements, to consolidate the subsequent series of amendments previously made to those agreements, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by IAM.

On July 31, 2018, the A&R Bank Credit Facility was amended to allow DCM to enter into the Bank Lease Facility for an amount not to exceed $3,000. The A&R Bank Credit Facility excludes the Bank Lease Facility from the maximum principal amount of debt available of $35,000 and has added a cross default and cross collateralization condition which includes the equipment leased as collateral under A&R Bank Credit Facility and Bank Lease Facility.

On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019. On February 8, 2019, DCM received an extension of the previous waiver in relation to meeting the fixed charge coverage ratio requirement for the quarter ending June 30, 2019.

On October 26, 2018, DCM received a waiver with regards to the IAM Credit Agreements, and for the purposes of determining DCM's Excess Cash Flow (as defined under "Covenant Requirements" below), the IAM Credit Agreements were waived to reduce the requirement to maintain a debt service coverage ratio of 2.0 times so long as DCM maintains a debt service coverage ratio of at least 1.85 times for the next four fiscal quarters beginning October 1, 2018 and ending on September 30, 2019. DCM is required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions.

On March 5, 2019, DCM entered into a second amendment to its Bank Credit Facility. Significant terms of the amendment made to the credit facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; a reduction in the prime rate margin on advances by 15 basis points from 0.75% per annum to 0.60% per annum; the elimination of an early termination fee in the event the credit facility is terminated or repaid prior to maturity; and amendments related to the calculation of certain financial covenants as a result of the adoption of IFRS 16 effective for reporting periods on or after January 1, 2019. The amendments related to IFRS 16 include clarification that the calculation of DCM's fixed charge coverage ratio under the Bank Credit Facility will be completed on a basis that substantially has the same effect as the results prior to the adoption of IFRS 16 whereby lease payments will also be deducted from EBITDA, in addition to all other adjustments previously allowed per the Bank Credit Agreement. As a result, definitions of certain terms related to IFRS 16 were added to the Bank Credit Facility. DCM's financial covenant ratio with the Bank remains unchanged.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the IAM Credit Agreements and the Crown Facility 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 DCM without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, as applicable. Under the terms of the IAM Credit Agreements, DCM has agreed that it will not, without the prior written consent of IAM III, IAM IV and IAM V, 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 DCM, 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, DCM will have 60 days to replace such officer, such replacement officer to be satisfactory to IAM III, IAM IV and IAM V, acting reasonably. The Bank Credit Facility, IAM Credit Agreements and the Crown Facility limit spending on capital expenditures by DCM to an aggregate amount not to exceed $5,500, $5,000 and $5,000, respectively during any fiscal year.

Under the terms of the Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio of no less than the following levels: 0.90 to 1 from July 1, 2017 to December 31, 2017; 1.00 to 1 from January 1, 2018 to March 31, 2018 and 1.10 to 1 on and after March 31, 2018, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. Each covenant is calculated and reported on a quarterly basis. As at March 31, 2019, DCM was in compliance with this covenant.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than the following levels: 3.50 to 1 from October 1, 2017 up to December 31, 2017; 3.25 to 1 from January 1, 2018 up to March 31, 2018 and 3.00 to 1 on and after April 1, 2018; (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 1.10 to 1. Each covenant is calculated and reported on a quarterly basis. As at March 31, 2019, DCM was in compliance with these covenants.

In addition, the IAM Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.00 to 1, which was subsequently amended to 1.85 to 1.00 from October 1, 2018 to September 30, 2019, and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the Bank Credit Facility, the IAM Credit Agreements and the Crown Facility and (iv) interest on capital leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at March 31, 2019, the conditions required to permit excess cash flow payments were met and the Excess Cash Flow was sufficient to cover the payments required in respect of the vendor take-back promissory notes for six months.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of no greater than 4.0 to 1.0 from June 30, 2018 to December 31, 2018 and 3.00 to 1 thereafter; (ii) a fixed charge coverage ratio no less than the following levels: 1.10 to 1 as at June 30, 2018, 1.25 to 1 from July 1, 2018 to September 30, 2018 and 1.40 to 1 for each quarter thereafter, for which a waiver for the quarter ended December 31, 2018 and ending March 31, 2019 and June 30, 2019 has been obtained as noted above. Each covenant is calculated and reported on a quarterly basis. As at March 31, 2019, DCM was in compliance with these covenants.

For purposes of the Bank Credit Agreement, the IAM Credit Agreements and Crown Facility agreement, “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. The pro forma financial results from DCM's acquisitions completed during the year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's calculations.

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the IAM Credit Agreements or the Crown Facility, together with certain other events, including a change of control of DCM and a change in DCM's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM, 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. DCM 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 DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants over the next twelve months.

In addition, under the terms of the IAM IV Credit Agreement and the IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of $425 and of $90 to be used for repayments of principal and interest of indebtedness outstanding under the IAM IV Credit Facility and indebtedness outstanding under the IAM V Credit Facility, respectively. As at March 31, 2019, there was a balance of $515 in the blocked account related to the IAM IV Credit Facility and IAM V Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

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INTER-CREDITOR AGREEMENT

DCM's obligations under the Bank Credit Facility, the IAM V Credit facility, the IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates (the "Inter-creditor Agreement"). On February 22, 2017, DCM 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 DCM, Eclipse and Thistle (the "Original Inter-Creditor Agreement").

On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include IAM V as a 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.

Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement between the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

The movement in credit facilities during the period are as follows:

		March 31, 2019		December 31, 2018
Balance - Beginning of period, net of transaction costs	**$**	**57,421**	$	55,932
Changes from financing cash flows				
Proceeds from credit facilities		**1,676**		12,951
Repayment of credit facilities		**(1,383)**		(11,238)
Transaction costs		**(108)**		(900)
Total change from financing cash flows		**57,606**		56,745
Non-cash movements				
Amortization of transaction costs		**137**		623
Accretion of discount		**22**		53
Balance - End of period	**$**	**57,765**	$	57,421

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

	March 31, 2019
2019	**5,767**
2020	**6,172**
2021	**6,606**
2022	**6,587**
2023	**34,658**
	$ 59,790

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

9 Promissory notes

The movement in the promissory note balances during the three months ended March 31, 2019 and year ended December 31, 2018 is as follows:

2019	**Eclipse acquisition**	**Thistle acquisition**	**BOLDER Graphics acquisition**	**Perennial acquisition**	**Total**
Balance – Beginning of period	**$ 2,254**	**$ 270**	**$ 509**	**$ 2,343**	**$ 5,376**
Additions	—	—	—	—	—
Unwinding of discount	**29**	**4**	**—**	**34**	**67**
Interest expense	**—**	**—**	**7**	**—**	**7**
Payments during the period	**(2,283)**	**(274)**	**(174)**	**—**	**(2,731)**
Balance – End of period	**$ —**	**$ —**	**$ 342**	**$ 2,377**	**$ 2,719**
Less: Current portion of promissory notes	**$ —**	**$ —**	**$ (342)**	**(994)**	**(1,336)**
As at March 31, 2019	**$ —**	**$ —**	**$ —**	**$ 1,383**	**$ 1,383**

2018	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Total
Balance - Beginning of year	$ 4,309	$ 1,799	$ 1,095	$ —	$ 7,203
Addition - May 8, 2018	—	—	—	2,253	2,253
Unwinding of discount	228	111	—	90	429
Interest expense	—	—	52	—	52
Payments during the year	(2,283)	(1,640)	(638)	—	(4,561)
Balance - End of year	$ 2,254	$ 270	$ 509	$ 2,343	$ 5,376
Less: Current portion of promissory notes	(2,254)	(270)	(509)	(980)	(4,013)
As at December 31, 2018	$ —	$ —	$ —	$ 1,363	$ 1,363

The remaining balance of the Eclipse promissory note for $2,283 was paid in full on February 22, 2019 and for the Thistle promissory note, the remaining balance of $274 was paid in full as of February 28, 2019.

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 26.07% (2018 – 26.07%) 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 March 31, 2019, DCM has non-capital loss carry-forwards of $234 (2018 – nil).

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Reflected in the consolidated statement of financial position as follows:		**March 31, 2019**		December 31, 2018
Deferred income tax assets	**$**	**2,391**	$	3,428
Deferred income tax liabilities		**(596)**		(1,753)
Net deferred income tax assets	**$**	**1,795**	$	1,675

11 Other non-current liabilities

		March 31, 2019		December 31, 2018
Deferred lease inducement	**$**	**—**	$	908
Lease escalation liabilities		**—**		2,254
Bonuses payable		**583**		668
	$	**583**	$	3,830
Less: Current portion of other non-current liabilities		**(358)**		(558)
	$	**225**	$	3,272

In connection with the acquisition on February 22, 2017 of Thistle, DCM assumed certain liabilities related to bonuses payable to former employees of DCM 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 carrying amount of the liability at March 31, 2019 was $583 (2018 - $668) of which $358 (2018 - $348) was classified as current liabilities in trade payables and accrued liabilities.

DCM's operations are conducted in leased properties. DCM'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. Up until December 31, 2018, payments made under operating leases were recognized in the condensed interim consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2019 to 2028. These balances were reclassified as a reduction of the ROU Asset as at January 1, 2019 upon adoption of IFRS 16 (see note 3).

12 Shares and warrants

DCM 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 DCM or other distribution of assets of DCM 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 DCM be entitled to receive assets of DCM 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.

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

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, 2019 and March 31, 2019	**21,523,515**	**$**	**251,217**

	Number of Common shares	Amount
Balance – January 1, 2018 and March 31, 2018	20,039,159	248,996

WARRANTS

A summary of warrant activities for the three months ended March 31, 2019 and the year ended December 31, 2018 is as follows:

	2019			2018		
	Number of Warrants		**Weighted average Exercise Price**	Number of Warrants		Weighted average Exercise Price
Warrants outstanding - beginning of period / year	**2,251,550**	**$**	**1.75**	1,381,050	$	1.75
Granted	**—**		**—**	960,000		1.75
Exercised	**—**		**—**	(89,500)		1.75
Warrants outstanding - end of period / year	**2,251,550**	**$**	**1.75**	2,251,550	$	1.75

On May 8, 2018, DCM established the $12,000 Crown Facility and issued 960,000 warrants as part of this financing. Each warrant entitles the holder to acquire one Common Share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The fair value of the warrants issued was estimated to be $565 using the Black-Scholes option-pricing model, assuming a risk-free interest of 2.16%, a weighted average life of five years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $5 (increased by a deferred income tax asset of $2). The total credit facility amount of $12,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at March 31, 2019 and December 31, 2018, the value allocated to the warrant option for this issue was $537, net of transaction costs.

On June 11, 2018, a total of 89,500 Common Shares were issued pursuant to the exercise of warrants. The additional share issue caused an increase in common shares by $175. The increase consisted of cash proceeds of $157 as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of $18.

SHARE-BASED COMPENSATION

DCM 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 DCM; and, align the interests of Participants with those of the shareholders of DCM. Awards to Participants are primarily based on the financial results of DCM and services provided. The aggregate maximum number of common shares available for issuance from DCM's treasury under the LTIP is 2,152,352 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

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

DCM'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 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 DCM in an amount equal to the fair value of one DCM common share. RSUs granted are performance and non-performance based. The performance component is based on Company specific financial targets approved by the Board and the non-performance component is based on continued employment. RSUs generally vest within three years, requires continued employment with DCM for the duration of the vesting period and settles in cash upon final vesting.

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

	March 31, 2019	December 31, 2018
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**530,452**	177,869
Units granted	**813,910**	740,432
Units forfeited	**—**	(387,344)
Units paid out	**(26,635)**	(505)
Balance - end of period/year	**1,317,727**	530,452

During the three months ended March 31, 2019, the CEO and President of DCM was granted 179,436 RSUs (2018 – 299,021 RSUs) and a total of 634,474 RSUs (2018 – 441,411 RSUs) were awarded to other key members of DCM's management.

Of the total outstanding RSUs at March 31, 2019, $Nil (2018 – $26,634) have vested and are payable. The carrying amount of the liability relating to the RSUs at March 31, 2019 was $529 (2018 – $400).

During the three months ended March 31, 2019, compensation expense of $74 (2018 – $99) was recognized in the consolidated statement of operations related to RSUs granted.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2019 and 2018

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

(b) Options ("Options")

A summary of Options activities for the three months ended March 31, 2019 and the year ended December 31, 2018 is as follows:

	2019			2018		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of period / year	**1,991,957**	**$**	**1.45**	804,961	$	1.50
Granted	**40,000**		**1.41**	1,200,000		1.41
Forfeited	**—**		**—**	(13,004)		1.50
Exercised	**—**		**—**	—		—
Options outstanding - end of period / year	**2,031,957**	**$**	**1.45**	1,991,957	$	1.45
Exercisable	**1,225,282**	**$**	**1.47**	1,125,281	$	1.50

The outstanding Options had an exercise price range as follows:

	March 31, 2019	December 31, 2018
	Number of Options	Number of Options
$1.41	**1,240,000**	1,200,000
$1.50	**791,957**	791,957
Options outstanding	**2,031,957**	1,991,957

The Black-Scholes option-pricing model inputs used to compute compensation expense under the fair value-based method are as follows:

	March 31, 2019
Expected life (years)	**7**
Expected volatility	**40%**
Dividend yield	**0%**
Risk free rate of return	**1.45%**
Weighted average fair value of options granted	**$0.57**
Forfeiture rate	**10%**

During the three months ended March 31, 2019, options to purchase up to 40,000 common shares were awarded to a director. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the common shares on the date of grant. These options vest at a rate of 1/36th per month beginning on March 28, 2019. During the three months ended March 31, 2019, a total of Nil options awarded were forfeited.

During the three months ended March 31, 2019, compensation expense of $74 (2018 – $94) was recognized in the condensed interim consolidated statement of operations related to options granted.

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

*(c) Deferred share unit ("DS*U")

On March 11, 2019 and March 21, 2019, each director was given the option to elect to receive all or part of his or her compensation (the "Director Fees") in DSUs.

Each DSU represents the right to receive a distribution from DCM in an amount equal to the fair value of one DCM common share on the date of the termination of service of the respective director. The number of DSUs payable to each director is determined by multiplying the total Director Fees payable by the percent elected to be paid in DSUs and dividing the product by the Fair Value of one DCM common share on the grant date. A liability for DSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The DSUs payable is included in trade payables and accrued liabilities.

During the three months ended March 31, 2019, 21,885 DSUs (2018 – Nil DSUs) were granted. The carrying amount of the liability relating to the DSUs at March 31, 2019 was $148 (2018 – $Nil).

During the three months ended March 31, 2019, an expense of $148 (2018 – $Nil) was recognized in the consolidated statement of operations related to DSUs granted.

13 Earnings (loss) per share

		For the three months ended March 31, 2019		For the three months ended March 31, 2018
BASIC EARNINGS (LOSS) PER SHARE				
Net income (loss) for the period attributable to common shareholders	**$**	**(323)**	$	1,763
Weighted average number of shares		**21,523,515**		20,039,159
Basic earnings (loss) per share	**$**	**(0.02)**	$	0.09
DILUTED EARNINGS (LOSS) PER SHARE				
Net income (loss) for the period attributable to common shareholders	**$**	**(323)**	$	1,763
Weighted average number of shares		**21,523,515**		20,039,159
Diluted earnings (loss) per share	**$**	**(0.02)**	$	0.09

For the three months ended March 31, 2019, options to purchase up to 2,031,957 common shares where the average market price of the common shares was less than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 2,251,550 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of March 31, 2019.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2019 and 2018

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

14 Changes in working capital

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Trade receivables	**$ (7)**	$ (7,269)
Inventories	**(1,210)**	389
Prepaid expenses and other current and non-current assets	**677**	709
Trade and accrued liabilities	**6,835**	9,854
Deferred revenue	**(328)**	6
	$ 5,967	$ 3,689

15 Commitments and Contingencies

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

16 Employee benefit plans

DCM maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees.

During the year ended December 31, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the DATA Communications Management Pension Plan had improved since the previous valuation. Based on the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 decreased from $647 to $527, when compared to the actuarial report as at January 1, 2017.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $227. During the year ended December 31, 2018, DCM made all the required payments related to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying $216 of the excess funding from 2017. The remaining excess funding from 2017 of $11 has been applied to DCM's 2019 minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2019 and 2018

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

Pension expense

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

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Net cost recognized in general and administration expenses	**$ 75**	$ 74
Interest costs in finance expense	**73**	60
Defined benefit plans	**$ 148**	$ 134
Defined contribution plans	**$ 344**	$ 397
Defined benefit multi-employer plans	**$ 127**	$ 154

Other post-employment benefit plans expense

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

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Net cost recognized in general and administration expenses	**$ 70**	$ 73
Interest costs in finance expense	**29**	28
Other post-employment benefit plans	**$ 99**	$ 101

17 Segmented information

As at March 31, 2019, DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

(in thousands of Canadian dollars, unaudited)	**For the three months ended March 31, 2019**	For the three months ended March 31, 2018
Product sales	**$ 71,270**	$ 80,471
Warehousing services	**2,427**	2,618
Freight services	**3,093**	3,490
Marketing and other services	**1,759**	1,937
	$ 78,549	$ 88,516

18 Subsequent events

BANK LEASE AGREEMENT
On April 29, 2019, DCM finalized its lease agreement with the Bank pursuant to the Bank Lease Facility entered into on July 31, 2018. The agreement is for a period of five years with monthly payments of $38. Upon expiration of the lease term, DCM has the option to purchase the equipment, extend the term or return the equipment.

SALE OF TABS AND BINDER BUSINESS
Effective May 2, 2019, DCM entered into an asset purchase agreement with Southwest Business Products Ltd. (“Southwest”) whereby DCM has sold its loose-leaf binders and index tab business to Southwest for cash and Southwest will acquire certain assets and assume certain liabilities related to the business. The gross cash proceeds will be used for general working capital requirements. The release of security on the assets sold have been approved by DCM’s senior lenders.

In addition, DCM has entered into a long-term supply agreement with Southwest as a preferred vendor to DCM for the supply of binders, index tabs and related products. The loose-leaf binders and tab business was previously acquired by DCM in conjunction with the acquisition of BOLDER Graphics in November of 2018, and consists of the manufacturing and selling of: binders, including stock and custom loose-leaf binders; tabs, including stock and custom number and letter tabs; and related binder and tab products. The large-format digital printing and point of sale signage and packaging business acquired in the BOLDER Graphics transaction is not included in this transaction.

APPOINTMENT OF NEW PRESIDENT
Effective April 8, 2019, Mike Coté was appointed as the President of DCM. Pursuant to the IAM Credit Agreements, this change was approved by IAM. Gregory J. Cochrane will continue as CEO of the company.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

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

William Albino [1,2,3]
Director

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

Derek J. Watchorn [1,2]
Director

Michael G. Sifton
Director

Merri L. Jones [3]
Director

Gregory J. Cochrane
Director & Officer

James E. Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

EXECUTIVE TEAM

Gregory J. Cochrane
President & Chief Executive Officer

James E. Lorimer
Chief Financial Officer

Alan Roberts
Senior Vice-President,
Operations

Michael Coté
Senior Vice-President,
Chief Commercial Officer

Judy Holcomb-Williams
Senior Vice President,
Chief Culture Officer

CORPORATE INFORMATION

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor
Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

Corporate Office
9195 Torbram Road
Brampton, Ontario L6S 6H2
Telephone: 905-791-3151
Facsimile: 905-791-1713

Website
datacm.com

Toronto Stock Exchange Symbol
DCM

[1] Member, Audit Comittee
(chairperson is William Albino)

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

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

THE BRAND
BEHIND YOUR BRAND

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