

Q3



QUARTER THREE

ENDED

SEPTEMBER 30, 2016

OUR VALUES

AT DATA COMMUNICATIONS MANAGEMENT WE...

...ARE UNITED AS ONE TEAM

We are a unified team bonded by our common purpose and driven by our commitment to openness, collaboration and a desire to win

...AIM FOR GREATNESS

We are obsessed with providing an exceptional customer experience grounded in quality, reliability and accountability

...INNOVATE AND LEAD

We are externally focused, using data and market trends to boldly serve our clients as trusted advisors and problem solvers

...ARE COMMITTED TO EVERY MEMBER OF OUR TEAM

We inspire and encourage our employees to do great things while continually learning and celebrating success, within a diverse environment built on support and belonging

...ARE MINDFUL OF OUR GREATER COMMUNITY AND THE ENVIRONMENT

We share a responsibility for the communities where we live and work and embrace the best environmental, ethical and governance practices

Letter to shareholders

Dear Shareholder,

In the third quarter of 2016, the DATA team moved several important strategic projects forward. These included: managing the shutdown of our Edmonton, Alberta facility ahead of schedule and at significantly less expense to date than budgeted; the implementation of new computer networks for improving service levels, new data storage facilities and PC platforms; and the advancement of our internal ERP/MRP replacement project. These initiatives are essential for the future success of our business. Offsetting these successes were revenue headwinds, as we continue to compete in a difficult economic and competitive climate.

Revenue shortfalls consisted of:

- Non-recurring client projects that we benefited from last year;
- General print volume declines from our customers, including reduced volumes from certain large customers coinciding with their year-end expense reduction initiatives;
- The threatened Canada Post labour interruption, which reduced demand for work destined directly or indirectly for the mail stream; and
- Economic softness in Western Canada.

Our Cost of revenues and Selling, general and administrative expenses were further negatively impacted by:

- Product mix, which was skewed towards certain higher paper content and lower margin business;
- Compressed margins on recently negotiated large repeat contracted customers;
- Expenses associated with the relocation of work, equipment and inventory from our Edmonton plant to our other plants; and
- Enhanced investment spending on technology renewal.

Working capital in the quarter was negatively impacted by:

- Differences in the timing of receivables and payables, which resulted in a higher relative reduction in trade payables;
- Declines in deferred revenue resulting from lower activity from certain large customers who pay in advance for production to be held in inventory; and
- Lower volumes from some of our larger customers resulting in lagging inventory turns, together with inventory management associated with the Edmonton move.

We are ahead of plan to exit our Edmonton facility by the end of 2016. During the third quarter of 2016, we incurred restructuring expenses related to that initiative of \$0.7 million, and expect to incur another \$1.1 million of restructuring expenses in the fourth quarter of 2016. The total expected restructuring expenses related to that initiative of approximately \$1.8 million is significantly below our original \$3.5 million estimate, and is primarily attributed to lower severance expenses than budgeted. We are downsizing significantly in Edmonton to a 10,000 square foot sales, customer experience and high-volume digital print production facility to strategically serve the local market.

I am very pleased to announce that Gregory J. Cochrane has agreed to join our executive team as President later this month. Greg brings a long and distinguished background in the communication and marketing services business. His primary focus will be to drive sales and business development strategies. I will relinquish the title of President. In my continuing role as CEO, I will be primarily focused on financial and strategic initiatives to help grow the business. Effective November 2, 2016, Greg will be stepping down from his role on our board of directors.

While our heads have been down for the past several quarters making our business more agile, focused, optimized and unified, we are now actively pursuing growth opportunities we see in our markets which leverage our key competencies of managing complexity and providing superior execution for our clients' business and marketing communications needs.

For a full description of our financial results for the third quarter and the year to date of 2016, please refer to our unaudited consolidated financial statements for the three and nine months ended September 30, 2016 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael G. Sifton". The signature is fluid and cursive, with the first name "Michael" being the most prominent part.

Michael G. Sifton
President and Chief Executive Officer

DATA Communications Management Corp.
November 2016

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

This Management's Discussion and Analysis ("MD&A") comments on the consolidated operations, performance and financial condition of DATA Communications Management Corp. ("DATA") for the three and nine months ended September 30, 2016. This MD&A should be read in conjunction with the MD&A of DATA for the year ended December 31, 2015, the unaudited interim consolidated financial statements and accompanying notes of DATA for the three and nine months ended September 30, 2016, and the audited consolidated financial statements and accompanying notes of DATA for the year ended December 31, 2015. These documents are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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

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

The date of this MD&A is November 2, 2016. Additional information relating to DATA, including its most recently filed audited and unaudited consolidated financial statements, Annual Information Form and Management Information Circular, is available on SEDAR at www.sedar.com.

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DATA, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DATA's current views regarding future events and operating performance, are based on information currently available to DATA, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DATA to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DATA made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DATA's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DATA which are related to reduced demand for its printed products will adversely affect DATA's financial results; the risk that DATA may not be

successful in reducing the size of its legacy print business, reducing costs, reducing its long-term debt, repaying or refinancing its outstanding 6.00% convertible unsecured subordinated debentures, and growing its digital communications business; the risk that DATA may not be successful in managing its organic growth; DATA's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DATA and are well-established suppliers; DATA's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DATA's businesses; risks associated with acquisitions by DATA; increases in the costs of paper and other raw materials used by DATA; and DATA's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the headings "Risk Factors" and "Risks and Uncertainties" in DATA's publicly available disclosure documents, as filed by DATA on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DATA does not intend and does not assume any obligation to update these forward-looking statements.

Non-GAAP measures

This MD&A includes certain non-GAAP measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA for the three and nine month periods ended September 30, 2016 and the three months ended September 30, 2015 each means EBITDA adjusted for restructuring expenses. Adjusted EBITDA for the nine months ended September 30, 2015 means EBITDA adjusted for restructuring expenses and goodwill impairment charges. Adjusted net income (loss) for the three and nine month periods ended September 30, 2016 and the three months ended September 30, 2015 each means net income (loss) adjusted for restructuring expenses and the tax effects of those items. Adjusted net income (loss) for the nine months ended September 30, 2015 means net income (loss) adjusted for restructuring expenses, goodwill impairment charges and the tax effects of those items. Adjusted net income (loss) per share, (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of common shares (basic and diluted) outstanding during the period. Pro forma Adjusted net income (loss) per share, basic and diluted each assumes Adjusted net income (loss) per share was calculated on the basis of the total number of common shares outstanding at September 30, 2016, rather than the weighted average or the weighted average diluted number of common shares outstanding at the respective period ends, given the significant changes in the number of common shares of DATA outstanding during those periods. DATA believes that, in addition to net income (loss), Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA. Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma 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, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

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

Business of DATA

OVERVIEW

DATA plans and executes business communications. DATA helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications processes. DATA derives its revenues from the following core capabilities: direct marketing, commercial print services, labels and automated identification solutions, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. DATA is strategically located across Canada to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois. DATA generally negotiates sales contracts and service level agreements with its clients and typically does not use standardized contracts. Customer agreements and terms typically include provisions consistent with industry practice, which allow DATA to pass along increases in the cost of paper and other raw materials used to manufacture products.

Certain elements of DATA's gift card and direct mail businesses, as well as the buying patterns of certain major customers of DATA, have historically generated higher revenues and profit in the fourth quarter than the other three quarters, which results in seasonal fluctuations in sales of those products.

RECENT DEVELOPMENTS

During the quarter ended September 30, 2016, DATA began consolidating its Alberta operations into its flagship Calgary, Alberta operations facility. As a result, it will close its Edmonton, Alberta operations facility at the end of 2016 and redistribute substantially all of that production from Edmonton to Calgary and other operations facilities across Canada. During the quarter ended September 30, 2016 DATA incurred restructuring expenses of \$0.7 million related to that initiative and expects to incur approximately \$1.1 million in additional restructuring expenses during the fourth quarter of 2016 related to these consolidation plans, consisting primarily of severance costs associated with headcount reductions and, to a lesser extent, building clean up costs.

REVENUE RECOGNITION POLICY

DATA recognizes revenue from the sale of products upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs and the risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. Since the majority of DATA's products are customized, product returns are not significant. DATA may provide pre-production services to its customers; however, these services do not have standalone value and there is no objective

and reliable evidence of their fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA recognizes warehousing and marketing service fees when the services are provided, the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA and the costs associated with these services can be reliably measured. DATA occasionally provides warehousing services that are negotiated as a separate charge based on market rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing service fees are included in one overall selling price of DATA's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

DATA's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DATA has incurred restructuring expenses in each of the last three fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures. DATA's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DATA's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DATA's facilities, utilities, insurance and building maintenance. DATA's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other personnel related expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

General information and results of operations**TABLE 1** The following table sets out selected historical consolidated financial information for the periods noted.

For the periods ended September 30, 2016 and 2015 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	July 1 to September 30, 2016	July 1 to September 30, 2015	January 1 to September 30, 2016	January 1 to September 30, 2015
Revenues	\$ 65,842	\$ 74,116	\$ 210,172	\$ 223,565
Cost of revenues	51,537	55,730	160,345	172,268
Gross profit	14,305	18,386	49,827	51,297
Selling, general and administrative expenses	13,944	13,439	42,540	43,581
Restructuring expenses	1,787	5,756	2,479	12,015
Impairment of goodwill	—	—	—	26,000
	15,731	19,195	45,019	81,596
(Loss) income before finance costs and income taxes	(1,426)	(809)	4,808	(30,299)
Finance costs				
Interest expense	838	1,481	2,575	4,229
Interest income	(4)	(3)	(8)	(10)
Amortization of transaction costs	111	135	467	305
	945	1,613	3,034	4,524
(Loss) income before income taxes	(2,371)	(2,422)	1,774	(34,823)
Income tax expense (recovery)				
Current	46	167	1,378	250
Deferred	(552)	(826)	(612)	(2,496)
	(506)	(659)	766	(2,246)
Net (loss) income for the period	\$ (1,865)	\$ (1,763)	\$ 1,008	\$ (32,577)
Net (loss) income attributable to common shareholders	\$ (1,865)	\$ (1,763)	\$ 1,008	\$ (32,577)
Basic (loss) earnings per share	\$ (0.16)	\$ (7.51)	\$ 0.09	\$ (138.68)
Diluted (loss) earnings per share	\$ (0.15)	\$ (7.51)	\$ 0.09	\$ (138.68)
Weighted average number of common shares outstanding - basic	11,964,978	234,906	10,840,273	234,906
Weighted average number of common shares outstanding - diluted	12,534,940	234,906	11,025,630	234,906
As at September 30, 2016 and December 31, 2015 <i>(in thousands of Canadian dollars, unaudited)</i>	As at September 30, 2016	As at December 31, 2015		
Current assets	\$ 71,565	\$ 80,125		
Current liabilities	55,905	90,298		
Total assets	122,705	134,067		
Total non-current liabilities	45,558	24,750		
Shareholders' equity	\$ 21,242	\$ 19,019		

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

For the periods ended September 30, 2016 and 2015 <i>(in thousands of Canadian dollars, except percentage amounts, unaudited)</i>	July 1 to September 30, 2016	July 1 to September 30, 2015	January 1 to September 30, 2016	January 1 to September 30, 2015
Revenues	\$ 65,842	\$ 74,116	\$ 210,172	\$ 223,565
Gross profit	\$ 14,305	\$ 18,386	\$ 49,827	\$ 51,297
Gross profit, as a percentage of revenues	21.7%	24.8%	23.7%	22.9%
Selling, general and administrative expenses	\$ 13,944	\$ 13,439	\$ 42,540	\$ 43,581
As a percentage of revenues	21.2%	18.1%	20.2%	19.5%
Adjusted EBITDA (see Table 3)	\$ 1,866	\$ 6,632	\$ 12,056	\$ 12,733
Adjusted EBITDA, as a percentage of revenues	2.8%	8.9%	5.7%	5.7%
Net (loss) income for the period	\$ (1,865)	\$ (1,763)	\$ 1,008	\$ (32,577)
Adjusted net income (loss) (see Table 4)	\$ (546)	\$ 2,503	\$ 2,838	\$ 2,327
Adjusted net income (loss), as a percentage of revenues	-0.8%	3.4%	1.4%	1.0%

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

EBITDA and Adjusted EBITDA reconciliation

For the periods ended September 30, 2016 and 2015 <i>(in thousands of Canadian dollars, unaudited)</i>	July 1 to September 30, 2016	July 1 to September 30, 2015	January 1 to September 30, 2016	January 1 to September 30, 2015
Net (loss) income for the period	\$ (1,865)	\$ (1,763)	\$ 1,008	\$ (32,577)
Interest expense	838	1,481	2,575	4,229
Interest income	(4)	(3)	(8)	(10)
Amortization of transaction costs	111	135	467	305
Current income tax expense	46	167	1,378	250
Deferred income tax recovery	(552)	(826)	(612)	(2,496)
Depreciation of property, plant and equipment	988	1,198	3,237	3,572
Amortization of intangible assets	517	487	1,532	1,445
EBITDA	\$ 79	\$ 876	\$ 9,577	\$ (25,282)
Restructuring expenses	1,787	5,756	2,479	12,015
Impairment of goodwill	—	—	—	26,000
Adjusted EBITDA	\$ 1,866	\$ 6,632	\$ 12,056	\$ 12,733

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

Adjusted net income (loss) reconciliation

For the periods ended September 30, 2016 and 2015 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	July 1 to September 30, 2016	July 1 to September 30, 2015	January 1 to September 30, 2016	January 1 to September 30, 2015
Net (loss) income for the period	\$ (1,865)	\$ (1,763)	\$ 1,008	\$ (32,577)
Restructuring expenses	1,787	5,756	2,479	12,015
Impairment of goodwill	—	—	—	26,000
Tax effect of the above adjustments	(468)	(1,490)	(649)	(3,111)
Adjusted net income (loss)	\$ (546)	\$ 2,503	\$ 2,838	\$ 2,327
Adjusted net income (loss) per share, basic	\$ (0.05)	\$ 10.66	\$ 0.26	\$ 9.91
Adjusted net income (loss) per share, diluted	\$ (0.04)	\$ 10.66	\$ 0.26	\$ 9.91
Pro forma Adjusted net income (loss) per share, basic⁽¹⁾	\$ (0.05)	\$ 0.21	\$ 0.24	\$ 0.19
Pro forma Adjusted net income (loss) per share, diluted⁽¹⁾	\$ (0.04)	\$ 0.20	\$ 0.23	\$ 0.19
Weighted average number of common shares outstanding - basic	11,964,978	234,906	10,840,273	234,906
Weighted average number of common shares outstanding - diluted	12,534,940	234,906	11,025,630	234,906
Number of common shares outstanding	11,975,053	234,906	11,975,053	234,906

Note:

(1) Pro forma Adjusted net income (loss) per share, basic, a non-GAAP measure, assumes Adjusted net income (loss) per share, basic were calculated on the basis of the total number of Common Shares outstanding of 11,975,053 at September 30, 2016, rather than the weighted average number of Common Shares outstanding at the respective period ends, given the significant changes in the number of Common Shares outstanding during comparable periods. Pro forma Adjusted net income (loss) per share, diluted, assumes Adjusted net income (loss) per share, diluted were calculated on the basis of the total diluted number of Common Shares outstanding of 12,545,015 at September 30, 2016, rather than the weighted average diluted number of Common Shares outstanding at the respective period ends, given the significant changes in the number of Common Shares outstanding during comparable periods.

Results of operations

The president and chief executive officer ("CEO") of DATA is the chief operating decision-maker ("CODM"). Management has determined that there is one operating segment based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. As a result of the organizational and operational changes implemented by DATA in 2015, DATA's operations are increasingly integrated and interdependent and less focused on serving separate distribution channels and, therefore, DATA's former Multiple Pakfold operating segment has been included in one consolidated operating segment commencing in the quarter ended December 31, 2015.

REVENUES

For the quarter ended September 30, 2016, DATA recorded revenues of \$65.8 million, a decrease of \$8.3 million or 11.2% compared with the same period in 2015. The decrease in revenues was due to non-recurring projects from last year, general volume declines from customers for print-related products and services, the threatened Canada Post labour interruption, which reduced demand for work destined directly or indirectly for the mail stream, and economic softness in Western Canada and was partially offset by growth in revenues from new customer orders. For the nine months ended September 30, 2016, DATA recorded revenues of \$210.2 million, a decrease of \$13.4 million or 6.0% compared with the same period in 2015. The decrease in revenues for the nine months ended September 30, 2016 was primarily due to non-recurring projects and a greater decline in volume from existing customers for print-related products and services than offsetting growth in revenues from new customers.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended September 30, 2016, cost of revenues decreased to \$51.5 million from \$55.7 million for the same period in 2015. Gross profit for the quarter ended September 30, 2016 was \$14.3 million, which represented a decrease of \$4.1 million or 22.2% from \$18.4 million for the same period in 2015. Gross profit as a percentage of revenues decreased to 21.7% for the quarter ended September 30, 2016 compared to 24.8% for the same period in 2015. For the nine months ended September 30, 2016, cost of revenues decreased to \$160.3 million from \$172.3 million for the same period in 2015. Gross profit for the nine months ended September 30, 2016 was \$49.8 million, which represented a decrease of \$1.5 million or 2.9% from \$51.3 million for the same period in 2015. Gross profit as a percentage of revenues increased to 23.7% for the nine months ended September 30, 2016 compared to 22.9% for the same period in 2015. The decrease in gross profit as a percentage of revenues for the quarter ended September 30, 2016 was due to the decrease in revenues, product mix, which was skewed towards certain higher paper content and lower margin business and compressed margins on recently negotiated large repeat contracted customers and was partially offset by the cost reductions realized from prior cost savings initiatives implemented in 2015. Those cost savings initiatives included headcount reductions, which helped reduce direct and indirect labour costs, respectively. The increase in gross profit as a percentage of revenues for the nine months ended September 30, 2016 was due to the cost reductions realized from prior cost savings initiatives implemented in 2015 and was partially offset by the decrease in revenues, product mix and compressed margins on recently negotiated large repeat contracted customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the quarter ended September 30, 2016 increased \$0.5 million or 3.8% to \$13.9 million compared to \$13.4 million in the same period in 2015. As a percentage of revenues, these costs were 21.2% of revenues for the quarter ended September 30, 2016 compared to 18.1% of revenues for the same period in 2015. SG&A expenses for the nine months ended September 30, 2016 decreased \$1.0 million or 2.4% to \$42.5 million compared to \$43.6 million for the same period of 2015. As a percentage of revenues, these costs were 20.2% and 19.5% of revenues for the nine month periods ended September 30, 2016 and 2015, respectively. The increase in SG&A expenses for the quarter ended September 30, 2016 was primarily attributable to higher third quarter SG&A expenses related to share-based compensation expense, increased marketing expenses and additional corporate costs related to the change in DATA's legal name on July 4, 2016 (the "Name Change"). The decrease in SG&A expenses for the nine months ended September 30, 2016 was primarily attributable to cost savings initiatives implemented in 2015,

including headcount reductions across sales, general and administration functions, and was partially offset by higher SG&A expenses related to share-based compensation expense, increased marketing expenses and additional corporate costs related to changes in DATA's board of directors (the "Board of Directors") in the second quarter of 2016, the Name Change and the Share Consolidation.

RESTRUCTURING EXPENSES

For the three and nine month periods ended September 30, 2016, DATA incurred total restructuring expenses of \$1.8 million and \$2.5 million, respectively, primarily related to headcount reductions and a charge to onerous contracts in both periods. The charge to onerous contracts of \$0.4 million during the three months ended September 30, 2016 related to a lease exit charge for a closed facility in Richmond Hill, Ontario. For the three months ended September 30, 2015, DATA incurred restructuring expenses of \$5.8 million due to changes in senior management, headcount reductions across DATA's operations and a charge to onerous contracts. The charge to onerous contracts of \$0.7 million during the three months ended September 30, 2015 related to a lease exit charge for a closed warehouse facility in Brampton, Ontario. For the nine months ended September 30, 2015, DATA incurred restructuring expenses of \$12.0 million comprised of (i) \$10.6 million of restructuring expenses due to changes in senior management, headcount reductions across DATA's operations and the closure of certain manufacturing locations, and a (ii) charge to onerous contracts of \$1.4 million for lease exit charges for closed facilities in Calgary, Alberta and in Brampton Ontario.

ADJUSTED EBITDA

For the quarter ended September 30, 2016, Adjusted EBITDA was \$1.9 million, or 2.8% of revenues. Adjusted EBITDA for the quarter ended September 30, 2016 decreased \$4.8 million or 71.9% from the same period in the prior year and Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 8.9% of revenues in 2015 to 2.8% of revenues in 2016. For the nine months ended September 30, 2016, Adjusted EBITDA was \$12.1 million, or 5.7% of revenues. Adjusted EBITDA for the nine months ended September 30, 2016 decreased \$0.7 million or 5.3% from the same period in the prior year and Adjusted EBITDA margin for the period, as a percentage of revenues, remained largely unchanged from the prior year at 5.7% of revenues in 2016. The decrease in Adjusted EBITDA for the three and nine month periods ended September 30, 2016 was attributable to lower levels of revenues and gross profit compared to the prior comparable periods and higher SG&A expenses in the quarter ended September 30, 2016.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DATA's credit facilities, on its outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"), on certain unfavourable lease obligations related to closed facilities and on DATA's employee benefit plans, was \$0.8 million for the quarter ended September 30, 2016 compared to \$1.5 million for the same period in 2015, and was \$2.6 million for the nine months ended September 30, 2016 compared to \$4.2 million for the same period in 2015. Interest expense for the three and nine month periods ended September 30, 2016 was lower than the same periods in the prior year primarily as a result of reductions in the aggregate principal amount of outstanding 6.00% Convertible Debentures and debt outstanding under DATA's credit facilities, respectively.

INCOME TAXES

DATA reported a loss before income taxes of \$2.4 million and a deferred income tax recovery of \$0.6 million for the quarter ended September 30, 2016 compared to a loss before income taxes of \$2.4 million, a current income tax expense of \$0.2 million and a deferred income tax recovery of \$0.8 million for the quarter ended September 30, 2015. DATA reported income before income taxes of \$1.8 million, a current income tax expense of \$1.4 million and a deferred income tax recovery of \$0.6 million for the nine months ended September 30, 2016 compared to a loss before income taxes of \$34.8 million, a current income tax expense of \$0.3 million and a deferred income tax recovery of \$2.5 million for the nine months ended September 30, 2015. The current income tax expense was due to the taxes payable on DATA's estimated taxable income for the three and nine month periods ended September 30, 2016, respectively. In addition, the current tax expense for the nine months ended September 30, 2016 includes a recovery of taxes paid in a prior period offset by a reclassification from deferred taxes. The deferred income tax recoveries were due to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the three and nine month periods ended September 30, 2016 and 2015, respectively.

NET (LOSS) INCOME

Net loss for the three months ended September 30, 2016 was \$1.9 million compared to a net loss of \$1.8 million for the same period in 2015. Net income for the nine months ended September 30, 2016 was \$1.0 million compared to a net loss of \$32.6 million for the same period in 2015. The decrease in comparable profitability for the three months ended September 30, 2016 was substantially due to lower restructuring and interest expenses and was partially offset by lower gross profit during the three months ended September 30, 2016. The increase in comparable profitability for the nine months ended September 30, 2016 was substantially due to lower restructuring and interest expenses and was partially offset by lower gross profit during the nine months ended September 30, 2016 and a goodwill impairment charge during the nine months ended September 30, 2015. The increase in comparable profitability for the nine months ended September 30, 2016 was partially offset by a larger current income tax expense and a smaller deferred income tax recovery during the nine months ended September 30, 2016.

ADJUSTED NET (LOSS) INCOME

Adjusted net loss for the three months ended September 30, 2016 was \$0.5 million compared to Adjusted net income of \$2.5 million for the same period in 2015. Adjusted net income for the nine months ended September 30, 2016 was \$2.8 million compared to Adjusted net income of \$2.3 million for the same period in 2015. The decrease in comparable profitability for the three months ended September 30, 2016 was attributable to lower revenues, gross profit and higher SG&A expenses which was partially offset by lower interest expense in 2016. The increase in comparable profitability for the nine months ended September 30, 2016 was attributable to lower SG&A and interest expenses and was partially offset by lower revenues and gross profit in 2016.

Liquidity and capital resources**LIQUIDITY**

DATA maintains a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM Credit Facility") with the Integrated Private Debt division of Integrated Asset

Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DATA and the Bank (the "Bank Credit Agreement") and IAM (the "IAM Credit Agreement"), respectively. As at September 30, 2016, DATA had outstanding borrowings of \$11.5 million and letters of credit granted of \$1.6 million under the Bank Credit Facility, and outstanding borrowings of \$26.4 million under the IAM Credit Facility. Under the Bank Credit Facility, DATA had access to \$10.6 million of available credit at September 30, 2016.

DATA has capitalized transaction costs of \$0.6 million related to the Bank Credit Facility and the amortization of these costs is recognized over the term of this facility. As at September 30, 2016, the unamortized transaction costs related to this facility were \$0.5 million. As at September 30, 2016, all of DATA's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 3.45% per annum.

DATA has capitalized transaction costs of \$0.7 million related to the IAM Credit Facility and the amortization of these costs is recognized over the term of this facility. As at September 30, 2016, the unamortized transaction costs related to this facility were \$0.6 million. As at September 30, 2016, all of DATA's indebtedness outstanding under the IAM Credit Facility was subject to a fixed interest rate equal to 6.95% per annum.

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

Under the terms of the IAM Credit Agreement, DATA must ensure that the aggregate of the principal amount outstanding under the IAM Credit Facility and the principal amount outstanding under the Bank Credit Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Senior Funded Debt"), does not exceed \$50.0 million; and DATA must maintain (i) a ratio of Senior Funded Debt to EBITDA for its four most recently completed fiscal quarters of not greater than the following levels: from the date of the advance up to March 31, 2017 - 3.25 to 1; from April 1, 2017 up to March 31, 2018 - 3.00 to 1; and on and after April 1, 2018 - 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. During the quarter ended June 30, 2016, DATA entered into an amendment agreement with IAM which changed the definition of the working capital ratio to exclude the aggregate principal amount of the 6.00% Convertible Debentures from current liabilities for the period from June 29, 2016 to June 30, 2017. As at September 30, 2016, the ratio of Senior Funded Debt to EBITDA was 1.79, the debt service coverage ratio was 2.42 and the working capital current ratio was 1.60.

Under the terms of the Bank Credit Agreement, DATA must maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DATA to service its outstanding debt for such period. As at September 30, 2016, the fixed charge coverage ratio was 2.56.

A failure by DATA to comply with its obligations under either of the Bank Credit Agreement or the IAM Credit Agreement, together with certain other events, including a change of control of DATA and a change in DATA's chief executive officer,

president or chief financial officer (unless a replacement officer acceptable to IAM, 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.

IAM has consented to the appointment of Gregory J. Cochrane as President of DATA and to the allocation of responsibilities between the chief executive officer and the president of DATA. See "Outlook" below.

Each of the Bank Credit Facility and the IAM Credit Facility is secured by conventional security charging all of the property and assets of DATA and its affiliates. The payment of the principal of, and interest on, DATA's outstanding 6.00% Convertible Debentures is subordinated in right of payment to the prior payment in full of DATA's indebtedness under the Bank Credit Agreement and the IAM Credit Agreement.

The terms of the Bank Credit Facility and the IAM Credit Facility are described in greater detail in DATA's annual MD&A for the year ended December 31, 2015.

As at September 30, 2016, 6.00% Convertible Debentures in an aggregate principal amount of \$11.2 million were outstanding. The 6.00% Convertible Debentures mature on June 30, 2017, bear interest at a rate of 6.00% per annum payable semi-annually and are convertible into Common Shares at the option of the holder at any time prior to June 30, 2017 (or, if called for redemption prior to that date, on the business day immediately preceding the date specified by DATA for redemption of the 6.00% Convertible Debentures) at a conversion price of \$1,220 per Common Share, being a conversion rate of approximately 0.8196 Common Shares per \$1,000 principal amount of 6.00% Convertible Debentures, subject to adjustment in certain events. The terms of the 6.00% Convertible Debentures, including the right of DATA to satisfy the redemption price of 6.00% Convertible Debentures redeemed by DATA by the issuance of Common Shares, are described in greater detail in DATA's Annual Information Form for the year ended December 31, 2015 (subject to the changes to the 6.00% Convertible Debentures described in DATA's subsequent filings with Canadian securities regulatory authorities), which is available on SEDAR at www.sedar.com. On June 1, 2016, DATA entered into a settlement, nomination and standstill agreement (the "KST Agreement") with KST Industries Inc. and Harindar Takhar. Under the terms of the KST Agreement, DATA has agreed that, subject to certain conditions, it will not redeem any of the outstanding 6.00% Convertible Debentures, other than for cash, prior to November 30, 2016.

Market conditions and DATA's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DATA from time to time or upon the maturity of the Bank Credit Facility, IAM Credit Facility, the 6.00% Convertible Debentures or other indebtedness of DATA.

As at September 30, 2016, DATA had a bank overdraft of \$0.8 million compared to cash and cash equivalents of \$0.9 million at December 31, 2015. The cash equivalents consisted mainly of short-term investments, such as money market deposits. DATA deposits cash equivalents with a Canadian Schedule 1 bank, from which DATA believes the risk of loss to be remote. Under the terms of the IAM Credit Agreement, DATA is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM Credit Facility.

As at September 30, 2016, there was a balance of \$0.4 million in the blocked account, which is recognized as restricted cash in DATA's consolidated statement of financial position.

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

PENSION FUNDING OBLIGATIONS

DATA maintains a defined benefit and defined contribution pension plan (the "DATA Group Pension Plan") for some of its employees. DATA's funding obligation for the defined benefit provision of the DATA Group Pension Plan for 2016 is \$1.3 million.

DATA makes contributions to the Québec Graphics Communications Supplemental Retirement and Disability Fund of Canada (the "SRDF") based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DATA facilities located in the Province of Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The SRDF is jointly-trusted by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. Based upon the terms of those applicable collective bargaining agreements, DATA's estimated annual funding obligation for the SRDF for 2016 is \$0.5 million. The most recent funding actuarial report (as at December 31, 2013) in respect of the Québec members of the plan disclosed a solvency deficiency and a gap between the minimum total contributions required under applicable Québec pension legislation and total employer contributions determined pursuant to collective agreements.

Under Québec pension legislation applicable prior to December 31, 2014, DATA would have been required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if DATA had withdrawn from the plan or if the plan had been terminated. On February 18, 2015, Bill 34 (An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans) was tabled in the Québec legislature. Bill 34, which was adopted on April 2, 2015 with effect from December 31, 2014, amends and clarifies the Québec pension legislation for the SRDF to, among other things:

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund solvency deficiencies;
- allow for the reduction of accrued benefits; and
- remove the responsibility of participating employers to fund their share of the solvency deficit upon withdrawal from the plan or termination of the plan, except in certain circumstances when withdrawal from the plan or termination of the plan occurs within five years of Bill 34 being adopted.

In addition, another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a "Recovery Plan". On October 31, 2016, DATA received a letter from the Board of Trustees administering the SRDF and was advised that a form of Recovery Plan was filed with the Quebec pension regulatory authorities in August 2016 and that plan members will be sent a personalised statement indicating the effect that the proposed plan will have on their respective pension entitlements. DATA is presently studying this new information and its implications, if any, for DATA and these cannot be determined at this time.

DATA has accounted for this plan on a defined contribution basis.

CASH FLOW FROM OPERATIONS

Changes in working capital used \$5.1 million in cash flow during the three months ended September 30, 2016. The trade receivables balance decreased by \$1.1 million as a result of lower revenues during the third quarter of 2016 and as a result of timing of collections from customers. Inventory levels decreased by \$0.4 million as a result of the timing of shipments of products to customers of the DATA segment. Lower sales volumes from some of DATA's larger customers resulted in lagging inventory turns and inventory management associated with the Edmonton move resulted in finished goods inventory remaining fairly consistent despite lower sales volumes. The trade payables balance decreased by \$3.5 million as a result of the seasonal timing of SG&A expenses and payments to suppliers for purchases during the third quarter of 2016. Deferred revenues decreased by \$2.6 million due to lower activity from certain major customers who pay in advance for production to be held in inventory during the third quarter of 2016.

Changes in working capital used \$0.1 million in cash flow during the nine months ended September 30, 2016. The trade receivables balance decreased by \$8.7 million as a result of lower revenues during the nine months ended September 30, 2016 and as result of timing of collections from customers. Inventory levels increased by \$0.3 million as a result of the timing of shipments of products to customers. The trade payables balance decreased by \$5.2 million as a result of the seasonal timing of payments to suppliers for purchases and lower production levels because of lower revenues. Deferred revenues decreased by \$2.5 million due to lower activity from certain major customers who pay in advance for production to be held in inventory during the nine months ended September 30, 2016.

INVESTING ACTIVITIES

Capital expenditures for the three and nine months ended September 30, 2016 were \$0.5 million and \$1.3 million, respectively. These capital expenditures, which were financed by cash flow from operations, were related primarily to maintenance capital expenditures.

FINANCING ACTIVITIES

On May 31, 2016, DATA completed a portion of a non-brokered private placement and issued a total of 1,678,567 Common Shares at a price of \$1.40 per Common Share. On July 4, 2016, following receipt of disinterested shareholder approval at the annual and special meeting of DATA's shareholders held on June 30, 2016, DATA completed the remaining portion of the private placement and issued additional 308,958 Common Shares at a price of \$1.40 per Common Share. During the three months ended September 30, 2016, DATA received gross proceeds of \$0.4 million, less issue expenses of \$0.1 million for net proceeds of \$0.4 million from the remaining portion of the private placement. During the nine months ended September 30, 2016, DATA received gross proceeds of \$2.8 million, less issue expenses of \$0.1 million for net proceeds of \$2.7 million in aggregate from both portions of the private placement.

During the three months ended September 30, 2016, DATA repaid \$1.4 million of principal amounts outstanding under its credit facilities and obtained \$5.6 million in advances under its credit facilities. During the nine months ended September 30, 2016, DATA obtained \$49.5 million in cash from advances under its credit facilities and repaid \$43.3 million and \$11.6 million of the principal amounts outstanding under its prior and existing credit facilities, respectively. During the nine months ended September 30, 2016, DATA incurred \$1.3 million of transaction costs related to the establishment of new credit facilities.

Outstanding share data

At November 2, 2016, September 30, 2016 and December 31, 2015, there were 11,975,053, 11,975,053 and 9,987,528 Common Shares outstanding, respectively.

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

At November 2, 2016, September 30, 2016 and December 31, 2015, \$11.2 million aggregate principal amount of 6.00% Convertible Debentures were outstanding. The 6.00% Convertible Debentures are convertible into Common Shares at the option of the holder at any time prior to June 30, 2017. See "Liquidity and capital resources".

During 2015, the Board of Directors approved the award of options to purchase up to 11,745 Common Shares to the CEO of DATA. The options were granted on April 16, 2015 and once vested, are exercisable for a period of seven years from the grant date at an exercise price of \$75 per share, representing the fair value of the Common Shares on date of the grant.

During the nine months ended September 30, 2016, the Board of Directors approved awards of options to purchase up to 987,011 Common Shares to the executive management team of DATA. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.50 per share, representing the fair value of the Common Shares on the date of grant. A total of 499,377 options were awarded to DATA's CEO and vested on June 23, 2016 and a total of 487,634 options were awarded to the other members of DATA's executive management team and vest at a rate of 1/24th per month beginning on June 23, 2016.

Contractual obligations

During the three months ended September 30, 2016, DATA entered into property lease agreements and other agreements which will increase its commitments by \$0.7 million in 2017, by \$0.9 million in 2018, by \$0.7 million in 2019, by \$0.4 million in 2020 and by \$0.5 million in 2021 and thereafter. During the nine months ended September 30, 2016, DATA entered into property lease extension agreements and other agreements that will increase its commitments by \$1.3 million in 2017, by \$2.9 million in 2018, by \$3.0 million in 2019, by \$2.8 million in 2020 and by \$3.0 million in 2021 and thereafter. Subsequent to the quarter ended September 30, 2016, DATA entered into a property lease agreement which will increase its commitments by \$0.4 million in 2017, by \$0.4 million in 2018, by \$0.5 million in 2019, by \$0.5 million in 2020 and by \$0.5 million in 2021 and thereafter.

Eight quarter results of operations – Summary

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

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$65,842	\$69,716	\$74,614	\$81,010	\$74,116	\$ 73,447	\$76,002	\$80,371
Net income (loss) attributable to shareholders	(1,865)	991	1,882	13,405	(1,763)	(29,683)	(1,131)	1,576
Basic earnings (loss) per share	(0.16)	0.09	0.19	11.27	(7.51)	(126.36)	(4.81)	6.71
Diluted earnings (loss) per share	(0.15)	0.09	0.19	11.27	(7.51)	(126.36)	(4.81)	6.71

The variations in DATA's quarterly revenues and net income (loss) over the eight quarters ended September 30, 2016 can be attributed to several principal factors: revenue declines in DATA's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses related to DATA's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DATA's key plants, gain on redemption of convertible debentures, lower interest expense a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015 and a goodwill impairment charge.

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

DATA's net income for the second quarter of 2016 included restructuring expenses of \$0.4 million related to its cost reduction initiatives. DATA's net loss for the second quarter of 2015 included restructuring expenses of \$4.2 million related to its cost reduction initiatives and an impairment of goodwill of \$26.0 million related to its operating CGU.

DATA's net income for the first quarter of 2016 included restructuring expenses of \$0.3 million related to its cost reduction initiatives. DATA's net loss for the first quarter of 2015 included restructuring expenses of \$2.1 million related to its cost reduction initiatives.

DATA's net income for the fourth quarter of 2015 included restructuring expenses of \$1.5 million related to its cost reduction initiatives and a gain on redemption of convertible debenture of \$12.8 million. DATA's net income for the fourth quarter of 2014 included restructuring expenses of \$0.8 million related to its cost reduction initiatives.

New accounting policies

(a) New and amended standards adopted

DATA has not adopted any new accounting policies since the year ended December 31, 2015.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 and not early adopted.

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

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

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

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16 Leases was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early application permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DATA.

Disclosure controls and procedures and Internal controls over financial reporting

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

DATA's management has determined that there have been no changes in the internal controls over financial reporting of DATA during the period beginning on July 1, 2016 and ending on September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA.

Outlook

In the third quarter of 2016, DATA made progress on several important strategic projects. These included: managing the shutdown of its Edmonton, Alberta facility ahead of schedule and at significantly less expense to date than budgeted; the implementation of new computer networks for improving service levels, new data storage facilities and PC platforms; and the advancement of DATA's internal ERP/MRP replacement project. These initiatives are essential for the future success of DATA's business. Offsetting these successes were revenue headwinds, as DATA continues to compete in a difficult economic and competitive climate.

DATA is ahead of plan to exit its Edmonton, Alberta facility by the end of 2016. During the third quarter of 2016, DATA incurred restructuring expenses related to that initiative of \$0.7 million, and currently expects to incur another \$1.1 million of restructuring expenses in the fourth quarter of 2016. The total expected restructuring expenses related to that initiative of approximately \$1.8 million is significantly below DATA's original \$3.5 million estimate, and is primarily attributed to lower severance expenses than budgeted. DATA is downsizing significantly in Edmonton to a 10,000 square foot sales, customer experience and high-volume digital print production facility to strategically serve the local market.

Gregory J. Cochrane will be joining DATA's executive team as President in late November 2016. Mr. Cochrane brings a long and distinguished background in the communication and marketing services business. His primary focus will be to drive sales and business development strategies. Michael G. Sifton will relinquish the title of President but will continue in his role as CEO, primarily focused on financial and strategic initiatives. Effective November 2, 2016, Mr. Cochrane will be stepping down from his role on the Board of Directors.

For the past several quarters, DATA has been focused on making its business more agile, focused, optimized and unified. DATA is now actively pursuing growth opportunities it sees in its markets which leverage its key competencies of managing complexity and providing superior execution for its clients' business and marketing communications needs.

Risks and uncertainties

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

Consolidated statements of financial position

<i>(in thousands of Canadian dollars, unaudited)</i>	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ —	\$ 871
Trade receivables (note 4)	29,366	38,051
Inventories (note 5)	37,344	37,053
Prepaid expenses and other current assets	4,855	4,150
	71,565	80,125
NON-CURRENT ASSETS		
Deferred income tax assets (note 10)	3,340	2,070
Restricted cash (note 8)	425	—
Property, plant and equipment	12,076	14,422
Pension asset	—	770
Intangible assets	4,233	5,614
Goodwill (note 6)	31,066	31,066
	\$ 122,705	\$ 134,067
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	\$ 829	\$ —
Current portion of Credit facilities (note 8)	5,827	43,095
Current portion of Convertible debentures (note 9)	11,040	—
Trade payables	24,565	29,766
Provisions (note 7)	3,446	5,723
Income taxes payable	1,941	903
Deferred revenue	8,257	10,811
	55,905	90,298
NON-CURRENT LIABILITIES		
Provisions (note 7)	773	1,483
Credit facilities (note 8)	30,994	—
Convertible debentures (note 9)	—	10,912
Deferred income tax liabilities (note 10)	4	76
Other non-current liabilities (note 11)	1,616	1,362
Pension obligations	9,418	8,354
Other post-employment benefit plans	2,753	2,563
	\$ 101,463	\$ 115,048
EQUITY		
SHAREHOLDERS' EQUITY		
Shares (note 12)	\$ 237,432	\$ 234,782
Conversion options	128	128
Contributed surplus	1,103	385
Accumulated other comprehensive income	215	306
Deficit	(217,636)	(216,582)
	\$ 21,242	\$ 19,019
	\$ 122,705	\$ 134,067

Approved by Board of Directors


Director



Director

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

Consolidated statements of loss

<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	For the three months ended September 30, 2016		For the three months ended September 30, 2015	
REVENUES	\$	65,842	\$	74,116
COST OF REVENUES		51,537		55,730
GROSS PROFIT		14,305		18,386
EXPENSES (INCOME)				
Selling, commissions and expenses		7,676		7,549
General and administration expenses		6,268		5,890
Restructuring expenses (note 7)		1,787		5,756
		15,731		19,195
LOSS BEFORE FINANCE COSTS AND INCOME TAXES		(1,426)		(809)
FINANCE COSTS				
Interest expense		838		1,481
Interest income		(4)		(3)
Amortization of transaction costs		111		135
		945		1,613
LOSS BEFORE INCOME TAXES		(2,371)		(2,422)
INCOME TAX EXPENSE (RECOVERY)				
Current		46		167
Deferred		(552)		(826)
		(506)		(659)
NET LOSS FOR THE PERIOD	\$	(1,865)	\$	(1,763)
BASIC LOSS PER SHARE (note 13)	\$	(0.16)	\$	(7.51)
DILUTED LOSS PER SHARE (note 13)	\$	(0.15)	\$	(7.51)

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

Consolidated statements of income (loss)*(in thousands of Canadian dollars, except per share amounts, unaudited)*

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
REVENUES	\$ 210,172	\$ 223,565
COST OF REVENUES	160,345	172,268
GROSS PROFIT	49,827	51,297
EXPENSES (INCOME)		
Selling, commissions and expenses	23,855	25,347
General and administration expenses	18,685	18,234
Restructuring expenses (note 7)	2,479	12,015
Impairment of goodwill (note 6)	—	26,000
	45,019	81,596
INCOME (LOSS) BEFORE FINANCE COSTS AND INCOME TAXES	4,808	(30,299)
FINANCE COSTS		
Interest expense	2,575	4,229
Interest income	(8)	(10)
Amortization of transaction costs	467	305
	3,034	4,524
INCOME (LOSS) BEFORE INCOME TAXES	1,774	(34,823)
INCOME TAX EXPENSE (RECOVERY)		
Current	1,378	250
Deferred	(612)	(2,496)
	766	(2,246)
NET INCOME (LOSS) FOR THE PERIOD	\$ 1,008	\$ (32,577)
BASIC EARNINGS (LOSS) PER SHARE (note 13)	\$ 0.09	\$ (138.68)
DILUTED EARNINGS (LOSS) PER SHARE (note 13)	\$ 0.09	\$ (138.68)

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

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

	For the three months ended September 30, 2016	For the three months ended September 30, 2015
NET LOSS FOR THE PERIOD	\$ (1,865)	\$ (1,763)
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET LOSS		
Foreign currency translation	26	80
	26	80
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS		
Re-measurements of post-employment benefit obligations	(646)	(391)
Taxes related to post-employment adjustment above	169	102
	(477)	(289)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	\$ (451)	\$ (209)
COMPREHENSIVE LOSS FOR THE PERIOD	\$ (2,316)	\$ (1,972)

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

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

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
NET INCOME (LOSS) FOR THE PERIOD	\$ 1,008	\$ (32,577)
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)		
Foreign currency translation	(91)	153
	(91)	153
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)		
Re-measurements of post-employment benefit obligations	(2,791)	760
Taxes related to post-employment adjustment above	729	(198)
	(2,062)	562
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD, NET OF TAX	\$ (2,153)	\$ 715
COMPREHENSIVE LOSS FOR THE PERIOD	\$ (1,145)	\$ (31,862)

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

Consolidated statements of changes in equity (deficit)*(in thousands of Canadian dollars,
unaudited)*

	Shares	Conversion options	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity (deficit)
Balance as at December 31, 2014	\$215,336	\$ 513	\$ —	\$ 92	\$(197,528)	\$ 18,413
Net loss for the period	—	—	—	—	(32,577)	(32,577)
Other comprehensive income for the period	—	—	—	153	562	715
Total comprehensive income (loss) for the period	—	—	—	153	(32,015)	(31,862)
Balance as at September 30, 2015	\$215,336	\$ 513	\$ —	\$ 245	\$(229,543)	\$(13,449)
BALANCE AS AT DECEMBER 31, 2015	\$234,782	\$ 128	\$ 385	\$ 306	\$(216,582)	\$ 19,019
Net income for the period	—	—	—	—	1,008	1,008
Other comprehensive loss for the period	—	—	—	(91)	(2,062)	(2,153)
Total comprehensive loss for the period	—	—	—	(91)	(1,054)	(1,145)
Issuance of common shares (note 12)	2,650	—	—	—	—	2,650
Share-based compensation expense	—	—	718	—	—	718
BALANCE AS AT SEPTEMBER 30, 2016	\$237,432	\$ 128	\$ 1,103	\$ 215	\$(217,636)	\$ 21,242

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

Consolidated statements of cash flows*(in thousands of Canadian dollars, unaudited)*

	For the three months ended September 30, 2016		For the three months ended September 30, 2015	
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	\$	(1,865)	\$	(1,763)
Adjustments to net loss				
Depreciation of property, plant and equipment		988		1,198
Amortization of intangible assets		517		487
Share-based compensation expense		142		—
Pension expense		147		152
Loss (gain) on disposal of property, plant and equipment		49		(5)
Provisions (note 7)		1,787		5,756
Amortization of transaction costs		111		135
Accretion of convertible debentures		21		76
Other non-current liabilities		(277)		368
Other post-employment benefit plans, net		64		77
Tax credits recognized		(124)		(181)
Income taxes recovery		(506)		(659)
		1,054		5,641
Changes in working capital (note 14)		(5,113)		(1,042)
Contributions made to pension plans		(481)		(458)
Provisions paid (note 7)		(1,405)		(3,018)
Income taxes received (paid)		57		(10)
		(5,888)		1,113
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(459)		(526)
Purchase of intangible assets		—		(302)
Proceeds on disposal of property, plant and equipment		10		7
		(449)		(821)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares, net (note 12)		370		—
Proceeds from Credit Facilities (note 8)		5,601		—
Repayment of Credit Facilities (note 8)		(1,422)		(1,000)
Proceeds from loan payable (note 11)		—		341
Repayment of loan payable		(55)		(13)
Finance and transaction costs (note 8)		—		(20)
Finance lease payments		—		(9)
		4,494		(701)
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		(1,843)		(409)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	\$	1,003	\$	3,514
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		11		48
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – END OF PERIOD	\$	(829)	\$	3,153

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

Consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)

	For the nine months ended September 30, 2016		For the nine months ended September 30, 2015	
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss) for the period	\$	1,008	\$	(32,577)
Adjustments to net income (loss)				
Depreciation of property, plant and equipment		3,237		3,572
Amortization of intangible assets		1,532		1,445
Share-based compensation expense		718		—
Pension expense		442		456
Loss on disposal of property, plant and equipment		238		34
Impairment of goodwill (note 6)		—		26,000
Provisions (note 7)		2,479		12,015
Amortization of transaction costs		467		305
Accretion of convertible debentures		64		137
Other non-current liabilities		394		438
Other post-employment benefit plans, net		190		213
Tax credits recognized		(124)		(181)
Income tax expense (recovery)		766		(2,246)
		11,411		9,611
Changes in working capital (note 14)		(77)		7,534
Contributions made to pension plans		(1,399)		(1,397)
Provisions paid (note 7)		(5,466)		(6,962)
Income taxes paid		(211)		(148)
		4,258		8,638
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,282)		(4,019)
Purchase of intangible assets		(151)		(302)
Proceeds on disposal of property, plant and equipment		134		639
		(1,299)		(3,682)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares, net (note 12)		2,650		—
Proceeds from Credit Facilities (note 8)		49,532		—
Repayment of Credit Facilities (note 8)		(54,868)		(3,000)
Proceeds from loan payable (note 11)		—		341
Repayment of loan payable		(135)		(13)
Increase in restricted cash		(425)		—
Finance and transaction costs (note 8)		(1,341)		(13)
Finance lease payments		(18)		(27)
		(4,605)		(2,712)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD				
		(1,646)		2,244
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	\$	871	\$	812
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		(54)		97
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – END OF PERIOD	\$	(829)	\$	3,153

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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***1 General Information**

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

Certain elements of DATA's gift card and direct mail businesses, as well as the buying patterns of certain major customers of DATA, have historically generated higher revenues and profit in the fourth quarter than the other three quarters, which results in seasonal fluctuations in sales of those products.

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

2 Basis of presentation and significant accounting policies

DATA prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial reports, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in DATA's consolidated financial statements for the year ended December 31, 2015, except for any new accounting pronouncements which have been adopted. Where applicable, DATA has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2016, as issued and outstanding as of November 2, 2016, the date the Board of Directors approved these financial statements. Any subsequent changes to IFRS that are given effect in DATA's annual consolidated financial statements for the year ending December 31, 2016 could result in restatement of these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DATA's consolidated annual financial statements for the year ended December 31, 2015 which have been prepared in accordance with IFRS, as issued by the IASB.

3 Change in accounting policies*(a) New and amended standards adopted*

DATA has not adopted any new accounting policies since the year ended December 31, 2015.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 and not early adopted.

IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

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

Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

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

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

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16 *Leases* was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early application permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DATA.

4 Trade receivables

	September 30, 2016	December 31, 2015
Trade receivables	\$ 29,816	\$ 38,577
Provision for doubtful accounts	(450)	(526)
	\$ 29,366	\$ 38,051

Trade receivables are non-interest bearing with settlement terms typically from 0 to 90 days.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***5 Inventories**

	September 30, 2016	December 31, 2015
Raw materials	\$ 4,685	\$ 5,923
Work-in-progress	2,547	2,850
Finished goods	30,112	28,280
	\$ 37,344	\$ 37,053

Raw materials and finished goods inventory amounts are net of obsolescence reserves of \$563 (2015 – \$657). The cost of inventories recognized as an expense within cost of revenues for the three months ended September 30, 2016 was \$48,472 (2015 – \$52,018) and for the nine months ended September 30, 2016 was \$151,108 (2015 – \$162,655).

6 Goodwill

During the second quarter of 2015, impairment indicators, including changes in the revenue trends and profit forecasts and the failure to meet certain financial covenants under its credit facilities, indicated that DATA's assets may be impaired. As a result of that new information, DATA performed an impairment analysis by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. As a result of that review, DATA concluded that the fair value of its operating CGU was less than its carrying value. Accordingly, DATA recorded an impairment of goodwill of \$26,000 related to the operating CGU during the second quarter of 2015.

DATA did not make any changes to the valuation methodology used to assess goodwill impairment since its last annual impairment test. The recoverable amounts of all CGUs have been determined based on the fair value less cost to sell. DATA uses the income approach to estimate the recoverable value of each CGU. The income approach is predicated on the value of the future cash flows that a business will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value through discounting. The discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

Revenue growth rates and operating margins were based on DATA's internal approved financial budgets or forecasts. DATA projected revenue, operating margins and cash flows for a period of five years, and applied a perpetual long-term growth rate thereafter. Based on the most recent forecasts during the second quarter of 2015, DATA was expecting negative growth of 2.5% over the next two years and a perpetual long-term growth rate of 0% based on forecast GDP growth, inflation rates, the industry's expected growth rates and management experience. In arriving at its forecasts, DATA considered past experience, economic trends as well as industry and market trends. The projections also took into account the expected impact of restructuring initiatives approved.

DATA assumed a discount rate to calculate the present value of the projected cash flows, representing a pre-tax discount rate using a weighted average cost of capital ("WACC") for DATA adjusted for tax, and is an estimate of the total overall required rate of return on an investment for both debt and equity owners. Determination of the WACC requires separate analysis of cost of equity and debt, and considers a risk premium based on the assessment of risks related to the projected cash flows of DATA. DATA used discount rates of 15.5% to 19.9% reflecting management's judgment that sales channels and size of its CGU's would affect the volatility of each CGU's cash flows. Following the impairment of the operating CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to a further impairment of the operating CGU.

DATA projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DATA used a tax rate of 26.5%. Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

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

For the three months ended September 30, 2016	Restructuring		Onerous contracts		Total
Balance – Beginning of period	\$	2,403	\$	1,434	\$ 3,837
Additional charge during the three month period		1,358		429	1,787
Utilized during the three month period		(1,067)		(338)	(1,405)
Balance – End of period	\$	2,694	\$	1,525	\$ 4,219
Less: Current portion of provisions		(2,562)		(884)	(3,446)
As at September 30, 2016	\$	132	\$	641	\$ 773

For the nine months ended September 30, 2016	Restructuring		Onerous contracts		Total
Balance – Beginning of period	\$	4,614	\$	2,592	\$ 7,206
Additional charge during the nine month period		2,050		429	2,479
Utilized during the nine month period		(3,970)		(1,496)	(5,466)
Balance – End of period	\$	2,694	\$	1,525	\$ 4,219
Less: Current portion of provisions		(2,562)		(884)	(3,446)
As at September 30, 2016	\$	132	\$	641	\$ 773

For the year ended December 31, 2015	Restructuring		Onerous contracts		Total
Balance – Beginning of year	\$	1,300	\$	2,103	\$ 3,403
Additional charge during the year		11,231		2,329	13,560
Utilized during the year		(7,917)		(1,840)	(9,757)
Balance – End of year	\$	4,614	\$	2,592	\$ 7,206
Less: Current portion of provisions		(3,981)		(1,742)	(5,723)
As at December 31, 2015	\$	633	\$	850	\$ 1,483

RESTRUCTURING

During the three and nine months ended September 30, 2016, DATA continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the three and nine months ended September 30, 2016, these initiatives resulted in \$1,358 and \$2,050, respectively, of restructuring expenses due to headcount reductions in the consolidated statement of income (loss) and comprehensive income (loss). During the three and nine months ended September 30, 2015, these initiatives resulted in \$5,037 and \$10,627, respectively, of restructuring expenses due to changes in senior management, headcount reductions across DATA's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of income (loss) and comprehensive income (loss).

For the three months ended September 30, 2016, cash payments of \$1,067 (2015 - \$2,575) and for the nine months ended September 30, 2016, cash payments of \$3,970 (2015 - \$5,811) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of \$2,694 at September 30, 2016 are expected to be paid in the balance of 2016, in 2017 and in 2018.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***8 Credit facilities**

	September 30, 2016	December 31, 2015
Term loans		
- 4.86% bankers' acceptances, matured January 16, 2016	\$ —	\$ 35,750
- floating rate debt, maturing March 10, 2018	3,544	—
- 6.95% term debt, maturing March 10, 2023	26,422	—
Revolving facilities		
- 4.86% bankers' acceptances, matured January 16, 2016	—	7,500
- floating rate debt, maturing March 10, 2019	7,948	—
Credit facilities	37,914	43,250
Unamortized transaction costs	(1,093)	(155)
	\$ 36,821	\$ 43,095
Less: Current portion of Credit facilities	(5,827)	(43,095)
Credit facilities	\$ 30,994	\$ —

As at December 31, 2015, DATA maintained credit facilities (the "Former Credit Facilities") with a syndicate of Canadian chartered banks pursuant to a Third Amended and Restated Credit Agreement dated December 19, 2014. The Former Credit Facilities, which had a maximum available principal amount of \$55.0 million (comprised of a \$10.0 million revolving facility, a \$5.0 million swing line facility, and a \$40.0 million amortizing term loan), were to have matured on August 31, 2016 without the option for renewal or extension.

In March 2016, DATA established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM Credit Facility") with the Integrated Private Debt division of Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DATA and the Bank (the "Bank Credit Agreement") and IAM (as amended, the "IAM Credit Agreement"), respectively. Approximately \$43,250 of the total principal amount available to DATA under the IAM Credit Agreement and the Bank Credit Agreement was used to fully repay DATA's outstanding indebtedness under its former senior credit facilities. As at March 11, 2016, DATA had outstanding borrowings of \$15,931 and letters of credit granted of \$2,159 under the Bank Credit Facility, and outstanding borrowings of \$28,000 under the IAM Credit Facility. As at September 30, 2016, DATA had outstanding borrowings of \$11,492 and letters of credit granted of \$1,623 under the Bank Credit Facility, and outstanding borrowings of \$26,422 under the IAM Credit Facility. Under the Bank Credit Facility, DATA had access to \$10,560 of available credit at September 30, 2016.

The Bank Credit Facility has a maximum available principal amount of \$25,000. A portion of the Bank Credit Facility consists of a non-revolving term credit facility (the "Bank Term Facility") in a maximum principal amount of \$5,000 as well as a committed treasury facility pursuant to which the Bank may, in its sole discretion, agree to enter into non-speculative hedging arrangements, subject to certain restrictions. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$25,000 and a fixed percentage of DATA's aggregate accounts receivable and inventory (less certain amounts). The Bank Term Facility is a sub facility of the Bank Credit Facility and is available by way of a single advance of \$5,000 and its availability is not based on DATA's accounts receivable or inventories. The proceeds of the Bank Term Facility were used by DATA to repay indebtedness owing by it under the senior credit facilities previously maintained by DATA with a syndicate of Canadian chartered banks. Advances under the Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 75 basis points. The Bank Term Facility matures on the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement and monthly principal repayments of \$208 made on the Bank Term Facility will not reduce the total available principal amount under the Bank Credit Facility. The Bank Credit Facility matures on the earlier of March 10, 2019 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

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

Agreement. DATA has capitalized transaction costs of \$625 related to this facility and the amortization of these costs is recognized over the term of this facility. As at September 30, 2016, the unamortized transaction costs related to this facility were \$509. At September 30, 2016, DATA had outstanding borrowings of \$11,492 under the Bank Credit Facility and all of DATA's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 3.45% per annum.

The IAM Credit Facility matures on March 10, 2023 and has a maximum available principal amount of \$28,000. Indebtedness outstanding under the IAM Credit Facility bears interest at a fixed rate equal to 6.95% per annum. Under the terms of the IAM Credit Agreement, DATA is required to make mandatory blended equal monthly repayments of principal and interest such that, on maturity, advances under the IAM Credit Facility and applicable interest on those advances will have been fully repaid. Monthly blended principal and interest repayments of \$422 and an April 2016 blended principal and interest repayment of \$448 cannot be reborrowed. DATA has capitalized transaction costs of \$665 related to this facility and the amortization of these costs is recognized over the term of this facility. As at September 30, 2016, the unamortized transaction costs related to this facility were \$584. Under the terms of the IAM Credit Agreement, DATA is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM Credit Facility. As at September 30, 2016, there was a balance of \$425 in the blocked account which is recognized as restricted cash on the consolidated statement of financial position.

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

Under the terms of the IAM Credit Agreement, DATA must ensure that the aggregate of the principal amount outstanding under the IAM Credit Facility and the principal amount outstanding under the Bank Credit Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Senior Funded Debt"), does not exceed \$50,000; and DATA must maintain (i) a ratio of Senior Funded Debt to EBITDA (as defined below) for its four most recently completed fiscal quarters of not greater than the following levels: from the date of the advance up to March 31, 2017 - 3.25 to 1; from April 1, 2017 up to March 31, 2018 - 3.00 to 1; and on and after April 1, 2018 - 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. During the quarter ended June 30, 2016, DATA entered into an amendment agreement with IAM which changed the definition of the working capital ratio to exclude the aggregate principal amount of the 6.00% Convertible Debentures from current liabilities for the period from June 29, 2016 to June 30, 2017. For purposes of the Bank Credit Agreement and the IAM Credit 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. As at September 30, 2016, the ratio of Senior Funded Debt to EBITDA was 1.79, the debt service coverage ratio was 2.42 and the working capital current ratio was 1.60.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

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

Under the terms of the Bank Credit Agreement, DATA must maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DATA to service its outstanding debt for such period. As at September 30, 2016, the fixed charge coverage ratio was 2.56.

A failure by DATA to comply with its obligations under either of the Bank Credit Agreement or the IAM Credit Agreement, together with certain other events, including a change of control of DATA and a change in DATA's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM, 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.

Each of the Bank Credit Facility and the IAM Credit Facility is secured by conventional security charging all of the property and assets of DATA and its affiliates. The payment of the principal of, and interest on, DATA's outstanding 6.00% Convertible Debentures is subordinated in right of payment to the prior payment in full of DATA's indebtedness under the Bank Credit Agreement and the IAM Credit Agreement.

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

	September 30, 2016
2016	\$ 1,435
2017	5,886
2018	4,057
2019	11,841
2020	4,173
2021 and thereafter	10,522
	\$ 37,914

9 Convertible debentures

	September 30, 2016	December 31, 2015
6.00% Convertible Debentures, maturing June 30, 2017, interest payable in June and December, convertible at 0.8196 common shares per \$1,000 of debenture	\$ 11,108	\$ 11,044
Unamortized transaction costs	(68)	(132)
	\$ 11,040	\$ 10,912
Less: Current portion of Convertible debentures	11,040	—
Convertible debentures	\$ —	\$ 10,912

The 6.00% Convertible Debentures in an aggregate principal amount of \$11,175 (2015 – \$11,175) bear interest at a rate of 6.00% per annum payable semi-annually, in arrears, on June 30 and December 31. The 6.00% Convertible Debentures mature on June 30, 2017 and are convertible into common shares of DATA ("Shares") at the option of the holder prior to maturity or redemption at a conversion price of \$1,220 per Share, subject to adjustment in certain events described in greater detail in DATA's Annual Information Form for the year ended December 31, 2015 (subject to the changes to the 6.00% Convertible Debentures described in DATA's subsequent filings with Canadian securities regulatory authorities).

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For the periods ended September 30, 2016 and 2015

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On redemption or at maturity, DATA may, at its option, subject to regulatory approval and certain other conditions, elect to satisfy its obligation to pay the applicable redemption price for the principal amount of the 6.00% Convertible Debentures by issuing and delivering that number of Shares obtained by dividing the aggregate redemption price of the debentures to be redeemed, or the principal amount of outstanding debentures which have matured, by 95% of the current market price of the Shares on the date fixed for redemption or the maturity date.

NORMAL COURSE ISSUER BID

In May 2016, DATA's normal course issuer bid ("NCIB") expired and was not renewed. Under the NCIB, DATA could have purchased up to a maximum of \$4,365 aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the "public float" of the 6.00% Convertible Debentures outstanding and daily purchases were limited to \$14 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. No 6.00% Convertible Debentures were purchased under the NCIB that expired in May 2016. Under the previous NCIB, which expired in May 2015, an aggregate of \$295 aggregate principal amount of the 6.00% Convertible Debentures were purchased.

10 Income taxes

Deferred 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 tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.64% (2015 – 25.63%) based on the tax rates in years when the temporary differences are expected to reverse. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at September 30, 2016, DATA has non-capital loss carry-forwards of \$3,729 (2015 – \$nil). The non-capital loss carry-forwards expire in varying amounts from 2033 to 2035.

Reflected in the consolidated statement of financial position as follows:	September 30, 2016	December 31, 2015
Deferred tax assets	\$ 3,340	\$ 2,070
Deferred tax liabilities	(4)	(76)
Net deferred tax assets	\$ 3,336	\$ 1,994

11 Other non-current liabilities

	September 30, 2016	December 31, 2015
Deferred lease inducement	\$ 844	\$ 828
Lease escalation liabilities	906	768
Finance lease liabilities	—	18
Loan payable	207	342
	\$ 1,957	\$ 1,956
Less: Current portion of other non-current liabilities	(341)	(594)
	\$ 1,616	\$ 1,362

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

DATA's operations are conducted in leased properties. DATA's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real

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estate taxes and other property operating expense. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease, expiring in 2016 to 2027.

During the nine months ended September 30, 2016, DATA entered into an extension lease agreement for its Brampton, Ontario facility that included lease inducements which were deferred and are recognized over the life of the lease expiring in 2025.

During the year ended December 31, 2015, DATA entered into a lease agreement for its Calgary, Alberta facility that included lease inducements which were deferred and are recognized over the life of the lease, expiring in 2027.

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

12 Shares

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

During the quarter ended September 30, 2016, DATA consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for each 100 pre-consolidation common shares (the "Share Consolidation") on July 4, 2016. As a result, DATA's issued common shares were reduced to 11,975,053 on that date. No fractional common shares were issued, and any fractional share entitlements resulting from the Share Consolidation were rounded up to nearest whole number of common shares. All references to common shares, restricted share units and stock options in these condensed interim financial statements reflect the Share Consolidation, unless specified otherwise.

The following summarizes the change in shares:

	Number of Common shares		Amount
Balance – January 1, 2016	9,987,528	\$	234,782
Shares issued - May 31, 2016	1,678,567		2,280
Shares issued - July 4, 2016	308,958		370
Balance – September 30, 2016	11,975,053	\$	237,432
<hr/>			
Balance – January 1, 2015 and September 30, 2015	234,906	\$	215,336

On May 27, 2016, DATA announced that it intended to complete a non-brokered private placement of up to 198,751,793 common shares (or 1,987,525 post-consolidation common shares) (or approximately 19.9% of the then current number of outstanding common shares) at a price of \$0.014 per share (or \$1.40 per post-consolidation share) for gross proceeds to DATA of approximately \$2,783 in two tranches. On May 31, 2016, the first portion of the private placement was completed and DATA issued a total of 1,678,567 common shares for gross proceeds of \$2,350, less issue expenses of \$70 for net proceeds of \$2,280. On July 4, 2016, after receiving disinterested shareholder approval at DATA's annual and special meeting of shareholders held on June 30, 2016, DATA completed the second portion of the private placement

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announced on May 27, 2016 and issued 308,958 common shares for gross proceeds of \$433, less issue expenses of \$63 for net proceeds of \$370.

SHARE-BASED COMPENSATION

DATA has adopted a Long-Term Incentive Plan ("LTIP") to: recruit and retain highly qualified directors, officers, employees and consultants (the "Participants"); provide Participants with an incentive for productivity and an opportunity to share in the growth and the value of DATA; and, align the interests of Participants with those of the shareholders of DATA. Awards to Participants are primarily based on the financial results of DATA and services provided. The aggregate maximum number of common shares available for issuance from DATA's treasury under the LTIP is 1,197,505 common shares or 10% of the issued and outstanding common shares of DATA. The shares to be awarded will be authorized and unissued shares.

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

(a) Restricted share unit ("RSU")

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

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

	September 30, 2016	December 31, 2015
	Number of RSUs	Number of RSUs
Balance - beginning of period	2,366	—
Granted in the period	450,288	3,186
Forfeited in the period	—	(551)
Settled in cash in the period	—	(269)
Balance - end of period	452,654	2,366

During the three months ended September 30, 2016, a total of 425,199 RSUs were granted to certain members of DATA's management team. Eligible participants received a number of performance RSUs based on a percentage of their base salaries at a price of \$1.75 per share, being the volume-weighted average trading price of DATA's common shares between December 23, 2015 and December 31, 2015, which will cliff vest on December 31, 2018, based on certain net income and share price performance hurdles being met by the end of December 31, 2016 and December 31, 2018, respectively. As at September 30, 2016, a custom valuation model was used to determine the estimated fair value of those RSUs, which produced a fair market value of \$3.1652 per RSU. The model inputs included: the remaining performance period of 2.25 years; DATA's share price at the valuation date of \$3.45; expected volatility of 43.03%; no expected dividend payments on DATA's common shares; and a risk-free interest rate of 0.51%.

During the nine months ended September 30, 2016, a total of 145,566 RSUs were granted to the president and chief executive officer ("CEO") of DATA and a total of 304,722 RSUs were awarded to the other members of DATA's executive management team. Of the total outstanding RSUs at September 30, 2016, 234 have vested and are payable. The carrying amount of the liability relating to the RSUs at September 30, 2016 was \$122.

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During the three and nine month periods ended September 30, 2016, compensation expense of \$106 and \$121 was recognized in the consolidated statement of income (loss) related to RSUs granted.

(b) Option ("Option")

A summary of Option activities for the nine months ended September 30, 2016 and 2015 is as follows:

	2016		2015	
	Number of Options	Weighted average Exercise Price	Number of Options	Weighted average Exercise Price
Options outstanding - beginning of period	11,745	\$ 75.00	—	\$ —
Granted in the period	987,011	1.500	11,745	75.00
Expired or forfeited in the period	—	—	—	—
Exercised in the period	—	—	—	—
Options outstanding - end of period	998,756	\$ 2.360	11,745	\$ 75.00
Exercisable	580,647	\$ 1.500	—	\$ —

The outstanding options had an exercise price range as follows:

	September 30, 2016 Number of Options	December 31, 2015 Number of Options
\$75.00	11,745	11,745
\$1.50	987,011	—
Options outstanding	998,756	11,745

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

	September 30, 2016	December 31, 2015
Expected life	7 yrs	7 yrs
Expected volatility	40%	40%
Dividend yield	0%	0%
Risk free rate of return	0.99%	1.03%
Weighted average fair value of options granted	\$ 1.00	\$ —

During 2015, the Board of Directors approved the award of options to purchase up to 11,745 common shares to the CEO of DATA. The options were granted on April 16, 2015, have an exercise period of seven years from the grant date once vested, and have an exercise price of \$75 per share, representing the fair value of the common shares on the date of grant. The vesting of the award is based on meeting certain performance targets for Actual EPS and Actual Return on Capital Employed ("ROCE") for the fiscal 2016, 2017 and 2018 fiscal periods. As the targets have not been set, the value of the award, as determined using a Black-Scholes option-pricing model and current market inputs, is revalued at each reporting date.

During the nine months ended September 30, 2016, the Board of Directors approved awards of options to purchase up to 987,011 common shares to the executive management team of DATA. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.50 per share, representing the fair value of the

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common shares on the date of grant. A total of 499,377 options were awarded to DATA's CEO and vested on June 23, 2016 and a total of 487,634 options were awarded to the other members of DATA's executive management team and vest at a rate of 1/24th per month beginning on June 23, 2016.

During the three and nine month periods ended September 30, 2016, compensation expense of \$142 and \$718 was recognized in the consolidated statement of income (loss) related to options granted.

13 (Loss) earnings per share

	For the three months ended September 30, 2016	For the three months ended September 30, 2015
BASIC (LOSS) PER SHARE		
Net loss for the period attributable to common shareholders	\$ (1,865)	\$ (1,763)
Weighted average number of shares	11,964,978	234,906
Basic (loss) per share	\$ (0.16)	\$ (7.51)

DILUTED (LOSS) PER SHARE		
Net loss for the period attributable to common shareholders	\$ (1,865)	\$ (1,763)
Weighted average number of shares	12,534,940	234,906
Diluted (loss) per share	\$ (0.15)	\$ (7.51)

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
BASIC EARNINGS (LOSS) PER SHARE		
Net income (loss) for the period attributable to common shareholders	\$ 1,008	\$ (32,577)
Weighted average number of shares	10,840,273	234,906
Basic earnings (loss) per share	\$ 0.09	\$ (138.68)

DILUTED EARNINGS (LOSS) PER SHARE		
Net income (loss) for the period attributable to common shareholders	\$ 1,008	\$ (32,577)
Weighted average number of shares	11,025,630	234,906
Diluted earnings (loss) per share	\$ 0.09	\$ (138.68)

6.00% Convertible Debentures in the aggregate principal amount of \$11,175 (2015 – \$11,175) and the related interest expense were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Options to purchase up to 11,745 common shares were excluded from the computation of diluted earnings per share because their exercise price was higher than the market price of the common shares.

The prior period (loss) earnings per share calculations have been retroactively adjusted to reflect the Share Consolidation See note 12.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2016 and 2015

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***14 Changes in working capital**

	For the three months ended September 30, 2016	For the three months ended September 30, 2015
Trade receivables	\$ 1,114	\$ (2,584)
Inventories	409	(885)
Prepaid expenses and other current assets	(585)	(1,186)
Trade payables	(3,467)	2,538
Deferred revenue	(2,584)	1,075
	\$ (5,113)	\$ (1,042)

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Trade receivables	\$ 8,659	\$ 4,393
Inventories	(324)	780
Prepaid expenses and other current assets	(711)	317
Trade payables	(5,153)	1,818
Deferred revenue	(2,548)	226
	\$ (77)	\$ 7,534

15 Commitments

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

DATA makes contributions to the Québec Graphics Communications Supplemental Retirement and Disability Fund of Canada (the "SRDF") based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DATA facilities located in the Province of Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The SRDF is jointly-trusted by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. Based upon the terms of those applicable collective agreements, DATA's estimated annual funding obligation for the SRDF for 2016 is \$546. The most recent funding actuarial report (as at December 31, 2013) in respect of the Québec members of the plan disclosed a solvency deficiency and a gap between the minimum total contributions required under applicable Québec pension legislation and total employer contributions determined pursuant to collective agreements.

Under Québec pension legislation applicable prior to December 31, 2014, DATA would have been required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if DATA had withdrawn from the plan or if the plan had been terminated. On February 18, 2015, Bill 34 (An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans) was tabled in the Québec legislature. Bill 34, which was adopted on April 2, 2015 with effect from December 31, 2014, amends and clarifies the Québec pension legislation for the SRDF to, among other things:

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund solvency deficiencies;

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- allow for the reduction of accrued benefits; and
- remove the responsibility of participating employers to fund their share of the solvency deficit upon withdrawal from the plan or termination of the plan, except in certain circumstances when withdrawal from the plan or termination of the plan occurs within five years of Bill 34 being adopted.

In addition, another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a "Recovery Plan". On October 31, 2016, DATA received a letter from the Board of Trustees administering the SRDF and was advised that a form of Recovery Plan was filed with the Quebec pension regulatory authorities in August 2016 and that plan members will be sent a personalised statement indicating the effect that the proposed plan will have on their respective pension entitlements. DATA is presently studying this new information and its implications, if any, for DATA and these cannot be determined at this time.

16 Employee benefit plansPension expense

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

	For the three months ended September 30, 2016		For the three months ended September 30, 2015		For the nine months ended September 30, 2016		For the nine months ended September 30, 2015
Net cost recognized in general and administration expenses	\$ 81	\$	75	\$	243	\$	225
Interest costs in finance expense	66		77		199		231
Defined benefit plans	\$ 147	\$	152	\$	442	\$	456
Defined contribution plan	\$ 379	\$	429	\$	1,142	\$	1,334
Defined benefit multi-employer plan	\$ 151	\$	173	\$	440	\$	507

Other post-employment benefit plans expense

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

	For the three months ended September 30, 2016		For the three months ended September 30, 2015		For the nine months ended September 30, 2016		For the nine months ended September 30, 2015
Net cost recognized in general and administration expenses	\$ 72	\$	71	\$	216	\$	213
Interest costs in finance expense	25		30		75		90
Other post-employment benefit plans	\$ 97	\$	101	\$	291	\$	303

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

J.R. Kingsley Ward³

Chairman, Director

William Albino^{1,2,3}

Director

James Murray^{1,2}

Director

Derek Watchorn^{1,2,3}

Director

Michael G. Sifton

Director & Officer
Chief Executive Officer

James E. Lorimer

Officer
Chief Financial Officer & Corporate
Secretary

¹ Member, Audit Committee
(Chairperson is
William Albino)

² Member, Corporate Governance
Committee
(Chairperson is
Derek Watchorn)

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

EXECUTIVE TEAM

Michael G. Sifton

Chief Executive Officer

Gregory J. Cochrane

President

James E. Lorimer

Chief Financial Officer

Steve Wittal

Senior Vice-President, Sales

Alan Roberts

Senior Vice-President, Operations

Jeff Gladwish

Vice-President, Marketing
& Corporate Development

Judy Holcomb-Williams

Vice-President, Human Resources

Karl Spangler

Chief Technology Officer

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