DATA GROUP LTD. QUARTER TWO **ENDED JUNE 30, 2015**

Q2 2015

WE ARE DEFINED **BY OUR VALUES**

Our success owes much to a set of corporate values which define and drive our culture.

We will be innovative, indeed visionary, in developing solutions for our customer's benefit...regardless of the technology.

We are committed to customer service and quality.

We do what we say we will do.

We are a people-oriented company committed to employment equity, safety and the environment.

We strive for market leadership and take pride in our products and services.

We encourage decision-making and initiative at all levels of our company.

We conduct our business ethically and legally.

Letter to shareholders

Dear Shareholder,

Having reached my 100 day mark at DATA Group, I can tell you we have been very busy at your company. Over this period, the senior management team has taken several very deliberate strategic actions to improve the company's performance. These actions include:

Organizational Structure

- Removed five Vice Presidents from the leadership team,
- Effectively eliminated one complete layer of management, and
- Implemented a workforce reduction plan of more than 200, or 13%, most of which will be completed by the end of September.

These changes are expected to reduce our total compensation expenses by approximately $10.0 million on an annualized basis.

Operations

- Re-focused our operations into “centres of excellence“ at six key plants,
- Closed our Brampton, Ontario warehouse facility,
- Relocated substantially all of our Granby, Québec production lines to other facilities, and
- Negotiated new five year collective agreements with our unionized employees in Drummondville, Québec and Granby, Québec.

Corporate Strategy

- Continuing to shift our product offering and mix to achieve higher average gross margins,
- Established a disciplined product management culture,
- Developing a new brand identity and marketplace strategy to be launched by the end of 2015, and
- Reviewing our capital structure.

We have recorded restructuring charges of $6.3 million for the six months ended June 30, 2015 and presently expect to incur additional restructuring charges of approximately $7.5 million in the second half of the year. These charges consist primarily of severance costs associated with headcount reductions across all functions of the company. We expect the net benefits from these measures to be reflected in our financial results commencing in the third quarter of 2015, but primarily in the fourth quarter of 2015.

I would like to thank all of the departed and departing employees for their service and dedication to DATA Group over their many years of service. I would also like to thank those who are still with us for their efforts and support as they work through a very difficult time seeing many of their friends leave the company. This has been a very stressful time for all concerned. I am also pleased to announce the appointment of James E. Lorimer as Chief Financial Officer. Mr. Lorimer has served as Interim Chief Financial Officer of the company since May 12, 2015.

As a final note, I want to share my continued amazement at the depth and breadth of the talent that makes up your company. We have extremely talented people doing very good work and delighting our clients with their commitment to the highest level of service. They are the true assets of your company and my daily source of motivation.

I look forward to providing you with more information about our efforts in our third quarter financial report.

For a full description of our financial results for the second quarter and year to date 2015, please refer to our unaudited interim consolidated financial statements for the three and six months ended June 30, 2015 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Sincerely,

Michael G. Sifton
President and Chief Executive Officer

DATA Group Ltd.
August 2015

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 Group Ltd. ("DATA Group") for the three and six months ended June 30, 2015. This MD&A should be read in conjunction with the MD&A of DATA Group for the year ended December 31, 2014, the unaudited interim consolidated financial statements and accompanying notes of DATA Group for the three and six months ended June 30, 2015, and the audited consolidated financial statements and accompanying notes of DATA Group for the year ended December 31, 2014. 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.

The date of this MD&A is August 7, 2015. Additional information relating to DATA Group, 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 Group, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this 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 Group's current views regarding future events and operating performance, are based on information currently available to DATA Group, and speak only as of the date of this 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 Group to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DATA Group made or took into account in the preparation of these forward-looking statements include the risk that DATA Group may not be successful in reducing the size of its legacy print business, reducing costs, reducing or refinancing its long-term debt and growing its digital communications business; the risk that DATA Group may not be successful in managing its organic growth; DATA Group's ability to invest in, develop and successfully market new products and services; competition from competitors supplying similar products and services; DATA Group's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DATA Group's businesses; risks associated with acquisitions by DATA Group; increases in the costs of paper and other raw materials used by DATA Group; and DATA Group's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the heading "Risks and Uncertainties" in DATA Group's publicly available disclosure documents, as filed by DATA Group on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DATA Group does not intend and does not assume any obligation to update these forward-looking statements.

Non-GAAP measures

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

Investors are cautioned that neither EBITDA nor Adjusted EBITDA should be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of DATA Group's performance. For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 below.

Business of DATA Group

OVERVIEW

DATA Group is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business processes. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. DATA Group derives its revenues from two sources: document management solutions, which provide its customers with a comprehensive suite of customized printed and electronic products, logistics and workflow enhancing services that help them better manage administrative elements of their business, maintain brand consistency and reduce the systemic cost of their documents and workflows; and marketing solutions, which provide an integrated set of services that enables its customers to plan, create, deploy and monitor their print and electronic marketing campaigns across multiple media channels. DATA Group generally negotiates sales contracts and service level agreements with its customers and generally does not use standardized contracts. DATA Group's customer agreements and terms typically include provisions consistent with industry practice, allowing it to pass on increases in the cost of paper and other raw materials used in the manufacture of its products. DATA Group has approximately 1,560 employees working from 28 locations across Canada and the United States, and operates as two reporting segments. DATA (which provided approximately 95% of DATA Group's total revenue in the second quarter of 2015) sells a broad range of document management services, marketing solutions and printed products directly to customers in the Canadian and United States markets. Multiple Pakfold (which provided approximately 5% of DATA Group's total revenue in the second quarter of 2015) sells forms and labels to independent brokers and resellers in the Canadian market. Certain elements of DATA Group's gift card and direct mail businesses as well as the buying patterns of certain major customers of DATA Group 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.

DATA Group continues to make progress on implementing changes to its business in response to the significant changes experienced by the print industry in recent years and remains focused on creating long-term enterprise value appreciation for its shareholders. See "Outlook" below.

SOURCES OF REVENUE AND REVENUE RECOGNITION POLICY

DATA Group 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 Group's products are customized, product returns are not significant. DATA Group 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 fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA Group recognizes warehousing and marketing service fees as the services are provided, when the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA Group and the costs associated with these services can be reliably measured. DATA Group 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 Group's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

DATA Group's cost of revenues consist of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DATA Group'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 Group's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DATA Group's facilities, utilities, insurance and building maintenance. DATA Group'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 June 30, 2015 and 2014 *(in thousands of Canadian dollars, except per share amounts, unaudited)*	**April 1 to June 30, 2015**	April 1 to June 30, 2014	**January 1 to June 30, 2015**	January 1 to June 30, 2014
Revenues	**$ 73,447**	$ 76,773	**$ 149,449**	$ 154,676
Cost of revenues	**57,821**	58,936	**116,538**	118,036
Gross profit	**15,626**	17,837	**32,911**	36,640
Selling, general and administrative expenses	**14,249**	14,407	**29,184**	29,087
Restructuring expenses	**4,205**	869	**6,259**	1,734
Impairment of goodwill	**26,000**	—	**26,000**	—
Amortization of intangible assets	**479**	479	**958**	958
	44,933	15,755	**62,401**	31,779
(Loss) income before finance costs and income taxes	**(29,307)**	2,082	**(29,490)**	4,861
Finance costs				
Interest expense	**1,464**	1,539	**2,748**	3,088
Interest income	**(3)**	(4)	**(7)**	(9)
Amortization of transaction costs	**134**	140	**170**	279
	1,595	1,675	**2,911**	3,358
(Loss) income before income taxes	**(30,902)**	407	**(32,401)**	1,503
Income tax expense (recovery)				
Current	**76**	—	**83**	—
Deferred	**(1,295)**	153	**(1,670)**	453
	(1,219)	153	**(1,587)**	453
Net (loss) income for the period	**$ (29,683)**	$ 254	**$ (30,814)**	$ 1,050
Net (loss) income attributable to shareholders	**$ (29,683)**	$ 254	**$ (30,814)**	$ 1,050
Basic and diluted (loss) earnings per share	**$ (1.26)**	$ 0.01	**$ (1.31)**	$ 0.04
Weighted average number of common shares outstanding	**23,490,592**	23,490,592	**23,490,592**	23,490,592

As at June 30, 2015 and December 31, 2014 *(in thousands of Canadian dollars, unaudited)*	**As at June 30, 2015**	As at Dec 31, 2014
Current assets	**$ 76,257**	$ 83,619
Current liabilities	**88,428**	46,176
Total assets	**133,747**	164,977
Total non-current liabilities	**56,796**	100,388
Shareholders' (deficiency) equity	**$ (11,477)**	$ 18,413

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

For the periods ended June 30, 2015 and 2014 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**April 1 to June 30, 2015**	April 1 to June 30, 2014	**January 1 to June 30, 2015**	January 1 to June 30, 2014
Revenues				
DATA	**$ 69,796**	$ 73,292	**$ 142,166**	$ 147,842
Multiple Pakfold	**3,932**	3,897	**7,916**	7,546
Intersegment	**(281)**	(416)	**(633)**	(712)
	$ 73,447	$ 76,773	**$ 149,449**	$ 154,676
Gross profit				
DATA	**$ 14,899**	$ 17,062	**$ 31,485**	$ 35,217
Multiple Pakfold	**727**	775	**1,426**	1,423
	$ 15,626	$ 17,837	**$ 32,911**	$ 36,640
Gross profit, as a percentage of revenues				
DATA	**21.3%**	23.3%	**22.1%**	23.8%
Multiple Pakfold	**18.5%**	19.9%	**18.0%**	18.9%
	21.3%	23.2%	**22.0%**	23.7%
Selling, general and administrative expenses	**$ 14,249**	$ 14,407	**$ 29,184**	$ 29,087
As a percentage of revenues	**19.4%**	18.8%	**19.5%**	18.8%
Adjusted EBITDA (see Table 3)	**$ 2,601**	$ 4,674	**$ 6,101**	$ 10,105
Adjusted EBITDA margin, as a percentage of revenues	**3.5%**	6.1%	**4.1%**	6.5%
Net (loss) income for the period	**$ (29,683)**	$ 254	**$ (30,814)**	$ 1,050

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

Adjusted EBITDA reconciliation

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

Results of operations

REVENUES

For the quarter ended June 30, 2015, DATA Group recorded revenues of $73.4 million, a decrease of $3.3 million or 4.3% compared with the same period in 2014. The decrease, before intersegment revenues, was primarily the result of a $3.5 million decrease in the DATA segment. For the six months ended June 30, 2015, DATA Group recorded revenues of $149.4 million, a decrease of $5.2 million or 3.4% compared with the same period in 2014. The decrease, before intersegment revenues, was the result of a $5.7 million decrease in the DATA segment and was partially offset by a $0.4 million increase in the Multiple Pakfold segment. A more detailed discussion of the results of operations of each of DATA Group's reporting segments is set out below.

COST OF REVENUES AND GROSS PROFIT

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING EXPENSES

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

For the three and six months ended June 30, 2015, DATA Group incurred restructuring expenses of $4.2 million and $6.3 million, respectively, related to changes in senior management, headcount reductions across its operations and the closure of certain manufacturing facilities as part of its 2015 restructuring initiatives. For the three and six months ended June 30, 2014, DATA Group incurred restructuring expenses related to headcount reductions of $0.9 million and $1.7 million, respectively, as part of its 2014 restructuring initiatives.

IMPAIRMENT OF GOODWILL

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

ADJUSTED EBITDA

For the quarter ended June 30, 2015, Adjusted EBITDA was $2.6 million, or 3.5% of revenues. Adjusted EBITDA for the quarter ended June 30, 2015 decreased $2.1 million or 44.4% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 6.1% of revenues in 2014 to 3.5% of revenues in 2015. For the six months ended June 30, 2015, Adjusted EBITDA was $6.1 million, or 4.1% of revenues. Adjusted EBITDA for the six months ended June 30, 2015 decreased $4.0 million or 39.6% from the same period in the prior year and the Adjusted EBITDA margin for the period, as a percentage of revenues, decreased from 6.5% of revenues in 2014 to 4.1% of revenues in 2015. The decrease in Adjusted EBITDA for the three and six month periods ended June 30, 2015 was attributable to a decline in revenues primarily attributable to pricing concessions and changes in product mix, and was partially offset by cost savings realized as a result of prior restructuring initiatives.

INTEREST EXPENSE

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

INCOME TAXES

DATA Group reported a loss before income taxes of $30.9 million, a current income tax expense of $0.1 million and a deferred income tax recovery of $1.3 million for the quarter ended June 30, 2015 compared to income before income taxes of $0.4 million and a deferred income tax expense of $0.2 million for the quarter ended June 30, 2014. DATA Group reported a loss before income taxes of $32.4 million, a current income tax expense of $0.1 million and a deferred income tax recovery of $1.7 million for the six months ended June 30, 2015 compared to income before income taxes of $1.5 million and a deferred income tax expense of $0.5 million for the six months ended June 30, 2014. The current income tax expense was due to the taxes payable on DATA Group's estimated taxable income for the three and six month periods ended June 30, 2015. The deferred income tax expense and deferred income tax recovery were due to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the three and six month periods ended June 30, 2015 and 2014.

NET (LOSS) INCOME

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

DATA

Revenues at DATA Group's DATA segment for the quarter ended June 30, 2015 decreased $3.5 million or 4.8% to $69.8 million from $73.3 million for the same period in the prior year. Revenues for the six months ended June 30, 2015 decreased $5.7 million or 3.8% to $142.2 million from $147.8 million for the same period in the prior year. The decrease in revenues for the three and six months ended June 30, 2015 was primarily due to a reduction in orders from existing customers for print-related products and services, price concessions associated with maintaining existing customer contracts and winning new customer contracts in response to aggressive pricing by DATA Group's competitors supplying similar products and services, reduced demand for printed products generally due to technological change and a change in product mix.

For the quarter ended June 30, 2015, gross profit decreased $2.2 million or 12.7% to $14.9 million from $17.1 million in the same period in 2014. Gross profit as a percentage of revenues for the quarter ended June 30, 2015 decreased to 21.3% from 23.3% for the same period in 2014. For the six months ended June 30, 2015, gross profit decreased

$3.7 million or 10.6% to $31.5 million from $35.2 million in the same period in 2014. Gross profit as a percentage of revenues for the six months ended June 30, 2015 decreased to 22.1% from 23.8% for the same period in 2014. The decline in gross profit as a percentage of revenues for the three and six months ended June 30, 2015 was due to a decrease in revenues, the impact of competitive pricing and changes in product mix, which were partially offset by cost reductions realized from prior cost savings initiatives. These cost savings included headcount reductions and the renegotiation of agreements for a number of raw material input costs. During the three and six months ended June 30, 2015, the segment continued its on-going productivity improvement and cost reductions initiatives, which gave rise to the additional severance costs and restructuring charges noted under “Selling, General and Administrative Expenses” above.

Multiple Pakfold

Revenues at DATA Group’s Multiple Pakfold segment for the quarter ended June 30, 2015 remained largely unchanged from the prior year at $3.9 million. Revenues for the six months ended June 30, 2015 increased $0.4 million or 4.9% to $7.9 million from $7.5 million for the same period in the prior year. The increase in revenues for the six months ended June 30, 2015 was primarily due to new business which arose as a result of the bankruptcy of a competitor.

For the quarter ended June 30, 2015, gross profit remained largely unchanged from the prior year at $0.7 million. Gross profit as a percentage of revenues for the quarter ended June 30, 2015 decreased to 18.5% from 19.9% for the same period in 2014. For the six months ended June 30, 2015, gross profit remained largely unchanged from the prior year at $1.4 million. Gross profit as a percentage of revenues for the six months ended June 30, 2015 decreased to 18.0% from 18.9% for the same period in 2014.

Liquidity and capital resources

LIQUIDITY

DATA Group maintains credit facilities (the "Credit Facilities") with a syndicate of Canadian chartered banks (the "Lenders") pursuant to a Third Amended and Restated Credit Agreement (the "Credit Agreement") dated December 19, 2014. The Credit Facilities mature on August 31, 2016 and have 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. The $40.0 million amortizing term loan was permanently reduced by $0.25 million on December 31, 2014, by $1.0 million on March 31, 2015 and by $1.0 million on June 30, 2015. Under the terms of the Credit Agreement, DATA Group is required to make mandatory repayments of outstanding advances under the term loan as follows: by $1.0 million on the last day of September and December of 2015 and by $1.5 million on the last day of March and June of 2016. The Lenders' commitment under the term loan will be permanently reduced by each of these repayments such that on maturity the maximum available principal amount of the term loan will be $32.75 million. DATA Group made principal repayments under the term loan of $1.0 million during each of the three month periods ended June 30, 2015 and March 31, 2015, respectively. As at June 30, 2015, DATA Group had outstanding borrowings of $45.3 million under the Credit Facilities, all of DATA Group’s indebtedness outstanding under the Credit Facilities was subject to a floating interest rate of 5.85% per annum.

Advances under the Credit Facilities are secured by conventional security charging all the property and assets of DATA Group and its subsidiary. A failure by DATA Group to comply with its obligations under the Credit Agreement, together with certain other events, including a change of control of DATA Group, could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under the Credit Facilities and entitle the Lenders to exercise their remedies under their security over DATA Group's assets.

The Credit Agreement contains financial covenants and restrictions, including the requirement to meet certain financial ratios and financial condition tests. Those covenants require DATA Group to maintain, at all times, a quarterly maximum ratio (the "Debt to EBITDA Ratio") of total debt to adjusted earnings before interest, income taxes, depreciation and amortization (“Credit Agreement EBITDA”). The maximum Debt to EBITDA Ratio allowed for a 12-month trailing period was 2.50 at December 31, 2014 and March 31, 2015, respectively. The maximum Debt to EBITDA ratio allowed for the 12-month trailing period ended June 30, 2015 declined to 2.25. As at June 30, 2015, this ratio was calculated at 2.45 (2014 – 2.10). The Credit Agreement also requires DATA Group to maintain, at all times, a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges (the "Fixed Charge Ratio"). The minimum Fixed Charge Ratio allowed for a 12-month trailing period is 1.25. As at June 30, 2015, this ratio was calculated at 1.23 (2014 – 1.61). DATA Group did not maintain the required Debt to EBITDA Ratio or the Fixed Charge Ratio as at June 30, 2015. As a result, DATA Group was not in compliance with either of these financial covenants and the outstanding borrowings under the Credit Facilities as at June 30, 2015 were classified as current for purposes of DATA Group's interim consolidated financial statements for the three months ended June 30, 2015. However, subsequent to the quarter ended June 30, 2015, DATA Group entered into a Waiver and Amendment Agreement to Third Amended and Restated Credit Agreement with the Lenders with respect to a waiver for non-compliance with those financial covenants as at June 30, 2015 and amendments to the terms of the Credit Agreement as they relate to the Debt to EBITDA Ratio and the Fixed Charge Ratio. After giving effect to those amendments, the maximum Debt to EBITDA Ratio for the 12 month trailing period ended September 30, 2015 is 2.75 and will decline to 2.50 at December 31, 2015, to 2.25 at March 31, 2016 and to 2.0 after March 31, 2016. The minimum Fixed Charge Ratio required to be maintain by DATA Group for the 12 month trailing period ended September 30, 2015 has been amended to 1.10 and will rise to 1.25 as at December 31, 2015.

The Credit Agreement contains restrictive covenants which limit the discretion of management with respect to certain business matters and the declaration or payment of dividends on DATA Group's common shares without the prior consent of the Lenders.

As at June 30, 2015, 6.00% Convertible Debentures in an aggregate principal amount of $44.7 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 of DATA Group 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 dated specified by DATA Group for redemption of the 6.00% Convertible Debentures) at a conversion price of $12.20 per share, being a conversion rate of approximately 81.967 shares per $1,000 principal amount of 6.00% Convertible Debentures, subject to adjustment in certain events. DATA Group may, at its option and without the consent of holders of 6.00% Convertible Debebtures, on not more than 60 days’ and not less than 40 days’ prior notice, subject to applicable regulatory approval and provided no Event of Default (as defined in the trust indenture which governs the 6.00% Convertible Debentures (the “Trust Indenture”)) has occurred and is continuing, elect to satisfy its obligation to pay the redemption price of the 6.00% Convertible Debentures which are to be redeemed or the principal amount of the 6.00% Convertible Debentures which are due on maturity, as the case may be, by issuing freely tradable common shares to the holders of the 6.00% Convertible Debentures. Any accrued and unpaid interest on those debentures will be paid in cash. The number of common shares to be issued will be determined by dividing the aggregate redemption price of the outstanding 6.00% Convertible Debentures which are to be redeemed or the principal amount of the outstanding 6.00% Convertible Debentures which have matured, as the case may be, by 95% of the Current Market Price (as defined in the Trust Indenture) on the date fixed for redemption or the maturity date, as the case may be. If DATA Group elects to pay the redemption price of 6.00% Convertible Debentures to be redeemed or the principal amount thereof at maturity, DATA Group could be required to issue a large number of common shares, which would significantly dilute existing shareholders' interests in DATA Group. The terms of the 6.00% Convertible Debentures are described in greater detail in DATA Group's Annual Information Form for the year ended December 31, 2014, which is available on SEDAR at www.sedar.com.

Market conditions could affect the availability and terms of any replacement credit facilities or other funding sought by DATA Group from time to time or upon the maturity of the Credit Facilities, the 6.00% Convertible Debentures or other indebtedness of DATA Group.

As at June 30, 2015, DATA Group had cash and cash equivalents of $3.5 million compared to cash and cash equivalents of $0.8 million at June 30, 2014. During the three and six month periods ended June 30, 2015, DATA Group used $1.0 million and $2.0 million, respectively, in cash to repay a portion of the Credit Facilities outstanding. The cash equivalents consisted mainly of short-term investments, such as money market deposits. DATA Group has deposited the cash equivalents with Canadian Schedule 1 banks, from which DATA Group believes the risk of loss to be remote. In addition, under the terms of the Credit Facilities, DATA Group had access to $7.5 million of additional available credit under its revolving and swing line facilities, less letters of credit granted of $2.2 million at June 30, 2015.

In assessing DATA Group's liquidity requirements, DATA Group 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 Group'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 Group'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 Group'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.

DATA Group continues to review the company's capital structure and, as part of that review, is considering a wide range of alternatives intended to improve its financial flexibility and capital structure in order to better position DATA Group for long term growth. Initiatives relating to strengthening the company's balance sheet may include refinancing or redeeming the outstanding 6.00% Convertible Debentures, refinancing DATA Group's bank borrowings and issuing additional equity securities. DATA Group believes that the currently projected cash flow from operations and existing cash resources will be sufficient to fund its currently projected operating requirements.

PENSION FUNDING OBLIGATIONS

DATA Group maintains a defined benefit and defined contribution pension plan (the “DATA Group Pension Plan”) for some of its employees. DATA Group’s funding obligation for the defined benefit provision of the DATA Group Pension Plan for 2015 is $1.3 million.

DATA Group 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 Group 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-trusteed 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 Group’s estimated annual funding obligation for the SRDF for 2015 is $0.7 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 Group would have been required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if DATA Group 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, it appears that another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a “Recovery Plan”. However,it is unclear as to what form any such plan will take and any related implications for DATA Group cannot be determined at this time.

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

CASH FLOW FROM OPERATIONS

Changes in working capital resulted in an increase in cash of $4.9 million during the three months ended June 30, 2015. The trade receivables balance decreased by $2.7 million as a result of improved collections of payments by DATA Group's customers and lower revenues during the period. Inventory levels decreased by $3.0 million as a result of the timing of shipments of products to customers of the DATA segment and DATA Group's efforts to reduce the amount of customer inventory on hand. The trade payables balance increased by $0.8 million as a result of the timing of payments to suppliers for purchases during the second quarter of 2015. Deferred revenues decreased by $2.0 million due to the timing of shipments during the second quarter of 2015. Changes in working capital resulted in an increase in cash of $8.6 million during the six months ended June 30, 2015. The trade receivables balance decreased by $7.0 million as a result of improved collections of payments by DATA Group's customers and lower revenues during the period. Inventory levels decreased by $1.7 million as a result of timing of shipments of products to customers of the DATA segment and DATA Group's efforts to reduce the amount of customer inventory on hand. Prepaid expenses and other current assets decreased by $1.5 million due to the transfer to leasehold improvements of deposits for a new manufacturing facility in Calgary, Alberta, in which DATA Group has consolidated its Calgary operations. The trade payables balance decreased by $0.7 million as a result of the timing of payments to suppliers for purchases. Deferred revenues decreased by $0.8 million due to the timing of shipments during the first half of 2015.

INVESTING ACTIVITIES

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

FINANCING ACTIVITIES

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

Normal course issuer bid

In May 2015, DATA Group renewed its normal course issuer bid ("NCIB") for another 12 months. Under the NCIB, DATA Group may purchase up to a maximum of $4.4 million 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 are limited to $14,250 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. As at the date of this report, none of the 6.00% Convertible Debentures have been purchased under the renewed NCIB. Under the previous NCIB, which expired in May 2015, $0.3 million aggregate principal amount of the 6.00% Convertible Debentures were purchased.

Outstanding share data

At August 7, 2015, June 30, 2015 and December 31, 2014, there were 23,490,592 common shares of DATA Group outstanding. At August 7, 2015, June 30, 2015 and December 31, 2014, $44.7 million aggregate principal amount of 6.00% Convertible Debentures were outstanding. The 6.00% Convertible Debentures are convertible into common shares of DATA Group at the option of the holder at any time prior to June 30, 2017. See "Liquidity and capital resources – Liquidity" above.

Contractual obligations

During the six months ended June 30, 2015, DATA Group entered into an equipment lease that will increase its lease commitments by $0.4 million per year for the next five years beginning in the second quarter of 2015. See “Liquidity and Capital Resources - Liquidity” above for a description of the 6.00% Convertible Debentures.

Eight quarter results of operations – Summary

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

	2015		2014				2013	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$73,447**	**$ 76,002**	$80,371	$78,128	$76,773	$77,903	$82,147	$74,129
Net (loss) income attributable to shareholders	**(29,683)**	**(1,131)**	1,580	1,849	254	796	(22,868)	(20,164)
Basic earnings (loss) per share	**(1.26)**	**(0.05)**	0.07	0.08	0.01	0.03	(0.97)	(0.86)
Diluted earnings (loss) per share	**(1.26)**	**(0.05)**	0.07	0.08	0.01	0.03	(0.97)	(0.86)

The variations in DATA Group’s quarterly revenues and net income (loss) over the eight quarters ended June 30, 2015 can be attributed to several principal factors: revenue declines in DATA Group’s traditional print business due to technological change, price concessions and competitive activity, restructuring and severance expenses related to DATA Group’s ongoing productivity improvement and cost reduction initiatives and goodwill impairment charges.

DATA Group’s net income for the second quarter of 2015 included restructuring expenses of $4.2 million related to its cost reduction initiatives and and an impairment of goodwill of $26.0 million related to its DATA CGU. DATA Group’s net income for the second quarter of 2014 included restructuring expenses of $0.9 million related to its cost reduction initiatives.

DATA Group’s net income for the first quarter of 2015 included restructuring expense of $2.1 million related to its cost reduction initiatives. DATA Group’s net income for the first quarter of 2014 included restructuring expenses of $0.9 million related to its costs reduction initiatives.

During the fourth quarter of 2014, DATA Group recorded restructuring expenses of $0.8 million related to its cost reduction initiatives. During the fourth quarter of 2013, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing an impairment of goodwill of $25.0 million related to its DATA CGU and recorded restructuring expenses of $0.4 million related to its cost reduction initiatives.

DATA Group’s net income for the third quarter of 2014 included restructuring expenses of $0.3 million related to its cost reduction initiatives. DATA Group’s net income for the third quarter of 2013 included restructuring expenses of $0.6 million related to its cost reduction initiatives and an impairment of goodwill of $19.0 million related to its DATA CGU.

New accounting policies

(a) *New and amended standards adopted*

DATA Group has not adopted any new accounting policies since the year ended December 31, 2014.

(b) *New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015 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 International Accounting Standard ("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 Group 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. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. DATA Group 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 Group.

Disclosure controls and procedures and Internal controls over financial reporting

DATA Group'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 Group for external purposes in accordance with IFRS.

DATA Group's management has determined that there have been no changes in the internal controls over financial reporting of DATA Group during the most recent interim reporting period that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA Group.

Outlook

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

Organizational Structure

- Removed five Vice Presidents from the leadership team,
- Effectively eliminated one complete layer of management, and
- Implemented a workforce reduction plan of more than 200, or 13%, most of which will be completed by the end of September.

These changes are expected to reduce DATA Group's total compensation expenses by approximately $10.0 million on an annualized basis.

Operations

- Re-focused operations into "centres of excellence" at six key plants,
- Closed DATA Group's Brampton, Ontario warehouse facility,
- Relocated substantially all of the Granby, Québec production lines to other facilities, and
- Negotiated new five year collective agreements with its unionized employees in Drummondville, Québec and Granby, Québec.

Corporate Strategy

- Continuing to shift its product offering and mix to achieve higher average gross margins,
- Established a disciplined product management culture,
- Developing a new brand identity and marketplace strategy to be launched by the end of 2015, and
- Reviewing DATA Group's capital structure.

DATA Group recorded restructuring charges of $6.3 million for the six months ended June 30, 2015 and presently expects to incur additional restructuring charges of approximately $7.5 million in the second half of the year. These charges consist primarily of severance costs associated with headcount reductions across all functions of the company. The net benefits from these measures to be reflected in DATA Group's financial results commencing in the third quarter of 2015, but primarily in the fourth quarter of 2015.

Subsequent to the quarter ended June 30, 2015, DATA Group entered into a waiver and amendment agreement to its Credit Agreement with respect to the waiver for non-compliance with certain financial covenants as at June 30, 2015 and the amendment of certain financial covenants under its Credit Agreement applicable for the next two quarters as DATA Group continues to transition its business. DATA Group remains current with its interest and principal obligations under its existing Credit Facilities and its interest payments to the holders of the 6.00% Convertible Debentures outstanding. DATA Group ended the second quarter of 2015 with cash and cash equivalent balance of $3.5 million with a net working capital improvement of $8.6 million for the six months ended June 30, 2015.

In connection with DATA Group's efforts to restructure its operations, it has withdrawn its previously provided financial guidance for 2015. In order to preserve cash to fund restructuring costs and general business improvement initiatives, DATA Group plans to limit its debt reduction for the remainder of 2015 to the minimum principal repayments of $1.0 million per quarter required by its Credit Agreement.

In connection with its capital structure review, DATA Group is focusing its efforts on refinancing its existing Credit Facilities which mature on August 31, 2016.

Risks and uncertainties

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

Consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)		**June 30, 2015**		December 31, 2014
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**3,514**	$	812
Trade receivables (note 4)		**30,227**		37,175
Inventories (note 5)		**38,421**		40,045
Prepaid expenses and other current assets		**4,095**		5,587
		76,257		83,619
NON-CURRENT ASSETS				
Deferred income tax assets (note 10)		**2,882**		1,508
Property, plant and equipment		**15,997**		15,523
Pension asset		**1,242**		—
Intangible assets		**6,303**		7,261
Goodwill (note 6)		**31,066**		57,066
	$	**133,747**	$	164,977
LIABILITIES				
CURRENT LIABILITIES				
Current portion of Credit facilities (note 8)	**$**	**44,999**	$	3,500
Trade payables		**28,416**		29,061
Provisions (note 7)		**4,339**		2,042
Income taxes payable		**101**		154
Deferred revenue		**10,573**		11,419
		88,428		46,176
NON-CURRENT LIABILITIES				
Provisions (note 7)		**1,379**		1,361
Credit facilities (note 8)		**—**		43,382
Convertible debentures (note 9)		**43,343**		43,222
Deferred income tax liabilities (note 10)		**57**		50
Other non-current liabilities (note 11)		**600**		548
Pension obligations		**8,405**		8,949
Other post-employment benefit plans		**3,012**		2,876
	$	**145,224**	$	146,564
(DEFICIT) EQUITY				
SHAREHOLDERS' (DEFICIENCY) EQUITY				
Shares	**$**	**215,336**	$	215,336
Conversion options (note 9)		**513**		513
Accumulated other comprehensive income		**165**		92
Deficit		**(227,491)**		(197,528)
	$	**(11,477)**	$	18,413
	$	**133,747**	$	164,977

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) income

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the three months ended June 30, 2015**		For the three months ended June 30, 2014
REVENUES	**$**	**73,447**	$	76,773
COST OF REVENUES		**57,821**		58,936
GROSS PROFIT		**15,626**		17,837
EXPENSES (INCOME)				
Selling, commissions and expenses		**8,686**		8,797
General and administration expenses excluding amortization of intangible assets		**5,563**		5,610
Restructuring expenses (note 7)		**4,205**		869
Impairment of goodwill (note 6)		**26,000**		—
Amortization of intangible assets		**479**		479
		44,933		15,755
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES		**(29,307)**		2,082
FINANCE COSTS				
Interest expense		**1,464**		1,539
Interest income		**(3)**		(4)
Amortization of transaction costs		**134**		140
		1,595		1,675
(LOSS) INCOME BEFORE INCOME TAXES		**(30,902)**		407
INCOME TAX EXPENSE (RECOVERY)				
Current		**76**		—
Deferred		**(1,295)**		153
		(1,219)		153
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(29,683)**	$	254
BASIC EARNINGS (LOSS) PER SHARE (note 12)	**$**	**(1.26)**	$	0.01
DILUTED EARNINGS (LOSS) PER SHARE (note 12)	**$**	**(1.26)**	$	0.01

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

Consolidated statements of (loss) income

(in thousands of Canadian dollars, except per share amounts, unaudited)		**For the six months ended June 30, 2015**		For the six months ended June 30, 2014
REVENUES	**$**	**149,449**	$	154,676
COST OF REVENUES		**116,538**		118,036
GROSS PROFIT		**32,911**		36,640
EXPENSES (INCOME)				
Selling, commissions and expenses		**17,798**		17,719
General and administration expenses excluding amortization of intangible assets		**11,386**		11,368
Restructuring expenses (note 7)		**6,259**		1,734
Impairment of goodwill (note 6)		**26,000**		—
Amortization of intangible assets		**958**		958
		62,401		31,779
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES		**(29,490)**		4,861
FINANCE COSTS				
Interest expense		**2,748**		3,088
Interest income		**(7)**		(9)
Amortization of transaction costs		**170**		279
		2,911		3,358
(LOSS) INCOME BEFORE INCOME TAXES		**(32,401)**		1,503
INCOME TAX EXPENSE (RECOVERY)				
Current		**83**		—
Deferred		**(1,670)**		453
		(1,587)		453
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(30,814)**	$	1,050
BASIC (LOSS) EARNINGS PER SHARE (note 12)	**$**	**(1.31)**	$	0.04
DILUTED (LOSS) EARNINGS PER SHARE (note 12)	**$**	**(1.31)**	$	0.04

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 June 30, 2015**		For the three months ended June 30, 2014
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(29,683)**	$	254
OTHER COMPREHENSIVE INCOME (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME				
Foreign currency translation		**(13)**		(19)
		(13)		(19)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME				
Re-measurements of post-employment benefit obligations		**986**		(526)
Taxes related to post-employment adjustment above		**(258)**		121
		728		(405)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$**	**715**	$	(424)
COMPREHENSIVE LOSS FOR THE PERIOD	**$**	**(28,968)**	$	(170)

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 six months ended June 30, 2015**		For the six months ended June 30, 2014
NET (LOSS) INCOME FOR THE PERIOD	**$**	**(30,814)**	$	1,050
OTHER COMPREHENSIVE INCOME (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME				
Foreign currency translation		**73**		1
		73		1
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET(LOSS) INCOME				
Re-measurements of post-employment benefit obligations		**1,151**		(2,949)
Taxes related to post-employment adjustment above		**(300)**		757
		851		(2,192)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$**	**924**	$	(2,191)
COMPREHENSIVE LOSS FOR THE PERIOD	**$**	**(29,890)**	$	(1,141)

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

Consolidated statements of changes in (deficit) equity

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

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

Consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)	**For the three months ended June 30, 2015**	For the three months ended June 30, 2014
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income for the period	**$ (29,683)**	$ 254
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	**1,224**	1,244
Amortization of intangible assets	**479**	479
Pension expense	**152**	120
(Gain) loss on disposal of property, plant and equipment	**(128)**	3
Impairment of goodwill (note 6)	**26,000**	—
Provisions (note 7)	**4,205**	869
Amortization of transaction costs	**134**	140
Accretion of convertible debentures	**79**	74
Other non-current liabilities	**21**	(79)
Other post-employment benefit plans, net	**69**	58
Income tax (recovery) expense	**(1,219)**	153
	1,333	3,315
Changes in working capital (note 13)	**4,913**	(2,561)
Contributions made to pension plans	**(480)**	(891)
Provisions paid (note 7)	**(2,874)**	(1,160)
Income taxes (paid) received	**(67)**	138
	2,825	(1,159)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(903)**	(191)
Proceeds on disposal of property, plant and equipment	**604**	2
	(299)	(189)
FINANCING ACTIVITIES		
Repayment of Credit Facilities (note 8)	**(1,000)**	(1,500)
Finance costs	**7**	—
Finance lease payments	**(9)**	(6)
	(1,002)	(1,506)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**1,524**	(2,854)
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT) – BEGINNING OF PERIOD	**$ 1,993**	$ (1,308)
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**(3)**	(5)
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT) – END OF PERIOD	**$ 3,514**	$ (4,167)

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

Consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)	**For the six months ended June 30, 2015**	For the six months ended June 30, 2014
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income for the period	**$ (30,814)**	$ 1,050
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	**2,374**	2,552
Amortization of intangible assets	**958**	958
Pension expense	**304**	241
Loss (gain) on disposal of property, plant and equipment	**39**	(10)
Impairment of goodwill (note 6)	**26,000**	—
Provisions (note 7)	**6,259**	1,734
Amortization of transaction costs	**170**	279
Accretion of convertible debentures	**61**	147
Other non-current liabilities	**70**	(161)
Other post-employment benefit plans, net	**136**	115
Income tax (recovery) expense	**(1,587)**	453
	3,970	7,358
Changes in working capital (note 13)	**8,576**	(3,816)
Contributions made to pension plans	**(939)**	(1,760)
Provisions paid (note 7)	**(3,944)**	(2,232)
Income taxes (paid) received	**(138)**	126
	7,525	(324)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,493)**	(794)
Proceeds on disposal of property, plant and equipment	**632**	21
	(2,861)	(773)
FINANCING ACTIVITIES		
Repayment of Credit Facilities (note 8)	**(2,000)**	(3,500)
Finance costs	**7**	(38)
Finance lease payments	**(18)**	(12)
	(2,011)	(3,550)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**2,653**	(4,647)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$ 812**	$ 478
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**49**	2
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT) – END OF PERIOD	**$ 3,514**	$ (4,167)

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

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2015 and 2014

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

1 General Information

DATA Group Ltd. ("DATA Group") is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business processes. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. DATA Group derives its revenues from two sources: document management solutions, which provides its customers with a comprehensive suite of customized printed and electronic products, logistics and workflow enhancing services that help them better manage administrative elements of their business, maintain brand consistency and reduce the systemic cost of their documents and workflows; and marketing solutions, which provide an integrated set of services that enables its customers to plan, create, deploy and monitor their print and electronic marketing campaigns across multiple media channels. DATA Group operates in the following reporting segments:

a. DATA - sells a broad range of document management services, marketing solutions and printed products directly to customers in the Canadian and U.S. markets; and

b. Multiple Pakfold - sells forms and labels to independent brokers/resellers in the Canadian market.

Certain elements of DATA Group's gift card and direct mail businesses as well as the buying patterns of certain major customers of DATA Group 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 Group are listed on the Toronto Stock Exchange ("TSX") under the symbol "DGI". DATA Group's outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures") are listed on the TSX under the symbol "DGI.DB.A". The address of the registered office of DATA Group is 9195 Torbram Road, Brampton, Ontario.

2 Basis of presentation and significant accounting policies

DATA Group 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 Group's consolidated financial statements for the year ended December 31, 2014, except for any new accounting pronouncements which have been adopted. Where applicable, DATA Group 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, 2015, as issued and outstanding as of August 7, 2015, the date the Board of Directors approved these financial statements. Any subsequent changes to IFRS that are given effect in DATA Group's annual consolidated financial statements for the year ending December 31, 2015 could result in restatement of these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DATA Group's consolidated annual financial statements for the year ended December 31, 2014 which have been prepared in accordance with IFRS, as issued by the IASB.

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

3 Change in accounting policies

(a) New and amended standards adopted

DATA Group has not adopted any new accounting policies since the year ended December 31, 2014.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015 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 Group 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. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. DATA Group 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 Group.

4 Trade receivables

		June 30, 2015		December 31, 2014
Trade receivables	**$**	**30,857**	$	37,835
Provision for doubtful accounts		**(630)**		(660)
	$	**30,227**	$	37,175

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

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

5 Inventories

		June 30, 2015		December 31, 2014
Raw materials	**$**	**6,099**	$	5,842
Work-in-progress		**3,010**		3,369
Finished goods		**29,312**		30,834
	$	**38,421**	$	40,045

Raw materials and finished goods inventory amounts are net of obsolescence reserves of $477 (2014 – $1,323). The cost of inventories recognized as an expense within cost of revenues for the three months ended June 30, 2015 was $54,569 (2014 – $56,403) and for the six months ended June 30, 2015 was $110,637 (2014 – $113,236).

6 Goodwill

		June 30, 2015		December 31, 2014
Opening balance	**$**	**57,066**	$	57,066
Impairment of goodwill		**(26,000)**		—
Ending balance	**$**	**31,066**	$	57,066

		June 30, 2015		December 31, 2014
Cost	**$**	**160,725**	$	160,725
Accumulated impairment losses		**(129,659)**		(103,659)
Net carrying value	**$**	**31,066**	$	57,066

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 Group's assets may be impaired. As a result of this new information, DATA Group performed an impairment analysis by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. As a result of that review, DATA Group concluded that the fair value of its DATA CGU was less than its carrying value. Accordingly, DATA Group recorded an impairment of goodwill of $26,000 related to the DATA CGU.

DATA Group 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 Group 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 Group's internal approved financial budgets or forecasts. DATA Group 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, DATA Group is expecting negative growth of 2.5% (2014 – 1%) over the next two years (2014 – five years) and a perpetual long-term growth rate of 0% (2014 – 0%) based on forecast GDP growth, inflation rates, the industry's expected growth rates and management experience. In arriving at its forecasts, DATA Group 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 Group 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 Group 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 Group. DATA Group used discount rates of 15.5% to 19.9% (2014 – 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 DATA 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 DATA CGU.

DATA Group projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DATA Group used a tax rate of 26.5% (2014 – 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.

During the fourth quarter of 2014, DATA Group performed its annual review for impairment of goodwill by comparing the fair value of each of its CGU's to the CGUs carrying value. As a result of that review, DATA Group recorded no goodwill impairment charges. The estimated recoverable amount of DATA CGU exceeded its carrying value by approximately $1,200 and its recoverable amount would equal its carrying value if the discount rate was increased by 0.2% to 15.7%.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2015 and 2014

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

7 Provisions

		Restructuring		**Onerous contracts**		**Total**
Balance – Beginning of period	**$**	**1,857**	**$**	**2,530**	**$**	**4,387**
Additional charge during the three month period		**4,205**		**—**		**4,205**
Utilized during the three month period		**(2,408)**		**(466)**		**(2,874)**
Balance – End of period	**$**	**3,654**	**$**	**2,064**	**$**	**5,718**
Less: Current portion of provisions		**(2,984)**		**(1,355)**		**(4,339)**
As at June 30, 2015	**$**	**670**	**$**	**709**	**$**	**1,379**

		Restructuring		**Onerous contracts**		**Total**
Balance – Beginning of period	**$**	**1,300**	**$**	**2,103**	**$**	**3,403**
Additional charge during the six month period		**5,590**		**669**		**6,259**
Utilized during the six month period		**(3,236)**		**(708)**		**(3,944)**
Balance – End of period	**$**	**3,654**	**$**	**2,064**	**$**	**5,718**
Less: Current portion of provisions		**(2,984)**		**(1,355)**		**(4,339)**
As at June 30, 2015	**$**	**670**	**$**	**709**	**$**	**1,379**

		Restructuring		Onerous contracts		Total
Balance – Beginning of year	$	1,600	$	3,137	$	4,737
Additional charge during the year		2,804		—		2,804
Utilized during the year		(3,104)		(1,034)		(4,138)
Balance – End of year	$	1,300	$	2,103	$	3,403
Less: Current portion of provisions		(1,069)		(973)		(2,042)
As at December 31, 2014	$	231	$	1,130	$	1,361

RESTRUCTURING

During the three and six months ended June 30, 2015, DATA Group continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the three and six months ended June 30, 2015, these initiatives resulted in $4,205 and $5,590, respectively, of restructuring expenses due to changes in senior management, headcount reductions across its operations and the closure of certain manufacturing locations in the consolidated statement of loss and comprehensive loss. During the three and six months ended June 30, 2014, these initiatives resulted in $869 and $1,734, respectively, of restructuring expenses due to headcount reductions in the consolidated statement of income and comprehensive loss.

For the three months ended June 30, 2015, cash payments of $2,408 (2014 - $918) and for the six months ended June 30, 2015, cash payments of $3,236 (2014 - $1,675) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $3,654 at June 30, 2015 is expected to be paid during 2016 and 2017.

ONEROUS CONTRACTS

During the six months ended June 30, 2015, DATA Group closed a Calgary, Alberta facility. A lease exit charge of $669, representing the liability, at present value, for remaining lease costs under the lease agreement and the building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2016.

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

8 Credit facilities

		June 30, 2015		December 31, 2014
Term loan				
- 4.55% bankers' acceptances, maturing January 30, 2015	**$**	**—**	$	39,750
- Floating rate debt		**37,750**		—
Revolving facility				
- 4.55% bankers' acceptances, maturing January 30, 2015		**—**		5,000
- Floating rate debt		**7,500**		2,500
Credit facilities		**45,250**		47,250
Unamortized transaction costs		**(251)**		(368)
	$	**44,999**	$	46,882
Less: Current portion of Credit facilities		**(44,999)**		(3,500)
Credit facilities	**$**	**—**	$	43,382

DATA Group maintains credit facilities (the "Credit Facilities") with a syndicate of Canadian chartered banks (the "Lenders") pursuant to a Third Amended and Restated Credit Agreement (the "Credit Agreement") dated December 19, 2014. The Credit Facilities mature on August 31, 2016 and have a maximum available principal amount of $55,000, comprised of a $10,000 revolving facility, a $5,000 swing line facility, and a $40,000 amortizing term loan. The $40,000 amortizing term loan was permanently reduced by $250 on December 31, 2014, by $1,000 on March 31, 2015 and by $1,000 on June 30, 2015. Under the terms of the Credit Agreement, DATA Group is required to make mandatory repayments of outstanding advances under the term loan as follows: by $1,000 on the last day of September and December of 2015 and by $1,500 on the last day of March and June of 2016. The Lenders' commitment under the term loan will be permanently reduced by each of these repayments such that on maturity the maximum available principal amount of the term loan will be $32,750. DATA Group made principal repayments under the term loan of $1,000 during each of the three month periods ended June 30, 2015 and March 31, 2015, respectively. A portion of the credit facilities are subject to bankers' acceptance fees over the applicable banker's acceptance rates. Maturing bankers' acceptances are typically rolled into new bankers' acceptances. The floating rate debt is an advance that is subject to interest at the Canadian prime rate plus an applicable margin. At June 30, 2015, all of DATA Group's indebtedness outstanding under the Credit Facilities was subject to a floating interest rate of 5.85% (2014 – 4.59%) per annum.

Advances under the Credit Facilities are secured by conventional security charging all the property and assets of DATA Group and its subsidiary. A failure by DATA Group to comply with its obligations under the Credit Agreement, together with certain other events, including a change of control of DATA Group, could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under the Credit Facilities and entitle the Lenders to exercise their remedies under their security over DATA Group's assets.

The Credit Agreement contains financial covenants and restrictions, including the requirement to meet certain financial ratios and financial condition tests. Those covenants require DATA Group to maintain, at all times, a quarterly maximum ratio (the "Debt to EBITDA Ratio") of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA"). The maximum Debt to EBITDA Ratio allowed for a 12-month trailing period was 2.50 at December 31, 2014 and March 31, 2015, respectively. The maximum Debt to EBITDA Ratio allowed for a 12-month trailing period ended June 30, 2015 declined to 2.25. As at June 30, 2015, the Debt to EBITDA Ratio was calculated at 2.45 (2014 – 2.10). The Credit Agreement also requires DATA Group to maintain, at all times, a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges (the "Fixed Charge Ratio"). The minimum Fixed Charge Ratio allowed for a 12-month trailing period was 1.25. As at June 30, 2015, the Fixed Charge Ratio was calculated at 1.23 (2014 – 1.61). DATA Group did not maintain the required Debt to EBITDA Ratio or the Fixed Charge ratio as at June 30, 2015. As a result, DATA Group was not in compliance with either of these financial covenants and the outstanding borrowings under the Credit Facilities as at June 30, 2015 were classified as current. However, subsequent to the quarter ended June 30, 2015, DATA Group entered into a Waiver and Amendment Agreement to Third Amended and Restated Credit Agreement with the Lenders with respect to a waiver for non-compliance with those financial covenants as at June 30, 2015 and amendments to the terms of the Credit Agreement as they relate to the Debt to EBITDA Ratio and the Fixed Charge Ratio. After giving effect to those amendments, the maximum Debt to EBITDA Ratio for the 12 month trailing period ended September 30 2015 is 2.75 and declines to 2.50 at December 31, 2015, to 2.25 at March 31, 2016, and to 2.0 after March 31, 2016. The minimum Fixed Charge Ratio required to be maintained by DATA Group for the 12 month trailing period ended September 30, 2015 has been amended to 1.10 and will rise to 1.25 as at December 31, 2015.

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

The Credit Agreement contains restrictive covenants which limit the discretion of management with respect to certain business matters and the declaration or payment of dividends on DATA Group's common shares without the prior consent of the Lenders.

9 Convertible debentures

		June 30, 2015		December 31, 2014
6.00% convertible debentures, maturing June 30, 2017, interest payable in June and December, convertible at 81.967 shares per $1,000 of debenture	**$**	**44,027**	$	43,966
Unamortized transaction costs		**(684)**		(744)
	$	**43,343**	$	43,222

The 6.00% Convertible Debentures with an aggregate principal amount of $44,705 (2014 – $44,705) 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 Group (“Shares”) at the option of the holder prior to maturity or redemption at a conversion price of $12.20 per Share, subject to adjustment in certain events described in greater detail in DATA Group’s short form prospectus. The 6.00% Convertible Debentures could not be redeemed before June 30, 2013.

On or after June 30, 2013 and prior to June 30, 2015, the 6.00% Convertible Debentures could have been redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the Shares (being the volume-weighted average trading price of the Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date) is at least 125% of the conversion price of the 6.00% Convertible Debentures. On or after June 30, 2015, the 6.00% Convertible Debentures may be redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or at maturity, DATA Group 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.

DATA Group capitalized transaction costs of $2,266 related to this issuance and amortization of these costs is recognized over the term of the 6.00% Convertible Debentures.

NORMAL COURSE ISSUER BID

In May 2015, DATA Group renewed its normal course issuer bid (“NCIB”) for another 12 months. Under the NCIB, DATA Group may purchase 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 are limited to $14 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. At June 30, 2015, $ Nil of the 6.00% Convertible Debentures have been purchased under the renewed NCIB. Under the previous NCIB, which expired in May 2015, $295 aggregate principal amount of the 6.00% Convertible Debentures were purchased.

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

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 26.28% (2014 – 26.12%) based on the tax rates in years when the temporary differences are expected to reverse. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at June 30, 2015, DATA Group has non-capital loss carry-forwards of $7,463 (2014 – $3,671). The non-capital loss carry-forwards expire in varying amounts from 2032 to 2035.

Reflected in the consolidated statement of financial position as follows:		**June 30, 2015**		December 31, 2014
Deferred tax assets	**$**	**2,882**	$	1,508
Deferred tax liabilities		**(57)**		(50)
Net deferred tax assets (liabilities)	**$**	**2,825**		$ 1,458

11 Other non-current liabilities

		June 30, 2015		December 31, 2014
Deferred lease inducement	**$**	**127**	$	245
Lease escalation liabilities		**859**		614
Finance lease liabilities		**38**		58
	$	**1,024**	$	917
Less: Current portion of other non-current liabilities		**(424)**		(369)
	$	**600**	$	548

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

DATA Group's operations are conducted in leased properties. DATA Group's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expense. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease, expiring in 2015 to 2022.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2015 and 2014

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

12 (Loss) earnings per share

	For the three months ended June 30, 2015	For the three months ended June 30, 2014
BASIC (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to shareholders	**$ (29,683)**	$ 254
Weighted average shares	**23,490,592**	23,490,592
Basic (loss) earnings per share	**$ (1.26)**	$ 0.01
DILUTED (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to shareholders	**$ (29,683)**	$ 254
Weighted average shares	**23,490,592**	23,490,592
Diluted (loss) earnings per share	**$ (1.26)**	$ 0.01

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
BASIC (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to shareholders	**$ (30,814)**	$ 1,050
Weighted average shares	**23,490,592**	23,490,592
Basic (loss) earnings per share	**$ (1.31)**	$ 0.04
DILUTED (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to shareholders	**$ (30,814)**	$ 1,050
Weighted average shares	**23,490,592**	23,490,592
Diluted (loss) earnings per share	**$ (1.31)**	$ 0.04

6.00% Convertible Debentures in the aggregate principal amount of $44,705 (2014 – $44,705) and the related interest expense were excluded from the computation of diluted earnings per share as their effect would have been antidilutive.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2015 and 2014

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

13 Changes in working capital

	For the three months ended June 30, 2015	For the three months ended June 30, 2014
Trade receivables	**$ 2,678**	$ (334)
Inventories	**3,024**	879
Prepaid expenses and other current assets	**440**	(229)
Trade payables	**751**	(3,709)
Deferred revenue	**(1,980)**	832
	$ 4,913	$ (2,561)

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Trade receivables	**$ 6,977**	$ (422)
Inventories	**1,665**	(2,031)
Prepaid expenses and other current assets	**1,503**	(287)
Trade payables	**(720)**	(538)
Deferred revenue	**(849)**	(538)
	$ 8,576	$ (3,816)

14 Contingencies

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

DATA Group 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 Group 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-trusteed 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 Group's estimated annual funding obligation for the SRDF for 2015 is $685. 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 Group would have been required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if DATA Group 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

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

- 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, it appears that another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a "Recovery Plan". However, it is unclear as to what form any such plan will take and any related implications for DATA Group cannot be determined at this time.

15 Employee benefit plans

Pension expense

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

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	**For the six months ended June 30, 2015**	For the six months ended June 30, 2014
Net cost recognized in general and administration expenses	$ 75	$ 73	$ 150	146
Interest costs in finance expense	77	47	154	95
Defined benefit plans	$ 152	$ 120	$ 304	$ 241
Defined contribution plan	$ 437	$ 465	$ 905	$ 942
Defined benefit multi-employer plan	$ 156	$ 166	$ 334	$ 338

Other post-employment benefit plans expense

DATA Group's other post-employment benefit plans are as follows:

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	**For the six months ended June 30, 2015**	For the six months ended June 30, 2014
Net cost recognized in general and administration expenses	$ 71	$ 61	$ 142	121
Interest costs in finance expense	30	34	60	68
Other post-employment benefit plans	$ 101	$ 95	$ 202	$ 189

16 Segmented information

The president and chief executive officer ("CEO") of DATA Group is the chief operating decision-maker. Management has determined the reporting segments based on the information reviewed by the president and CEO for the purpose of allocating resources and assessing performance. DATA Group has two reporting segments organized on the basis of geography, channels and specialties as follows: DATA and Multiple Pakfold. These reporting segments follow the same accounting policies as described in the summary of significant accounting policies, and all intersegment revenues are recorded at the exchange amount. Management evaluates the performance of each reporting segment based on income before interest, finance costs and income taxes. Corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segments. All significant external sales are to customers located in Canada. DATA Group established operations in Niles, Illinois during the fourth quarter of 2012 in order to service the U.S. operations of a large customer.

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2015 and 2014

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

For the three months ended June 30, 2015		**DATA**		**Multiple Pakfold**		**Intersegment**		**Total**
Revenues	**$**	**69,796**	**$**	**3,932**	**$**	**(281)**	**$**	**73,447**
Gross profit		**14,899**		**727**		**—**		**15,626**
Impairment of goodwill		**26,000**		**—**		**—**		**26,000**
(Loss) income before under noted items	**$**	**(22,259)**	**$**	**216**	**$**	**—**		**(22,043)**
Restructuring expenses								**4,205**
Unallocated corporate expenses								**3,059**
Loss before finance costs and income taxes								**(29,307)**
Finance costs								**1,595**
Current income tax expense								**76**
Deferred income tax recovery								**(1,295)**
Net loss for the period							**$**	**(29,683)**

For the three months ended June 30, 2014		DATA		Multiple Pakfold		Intersegment		Total
Revenues	$	73,292	$	3,897	$	(416)	$	76,773
Gross profit		17,062		775		—		17,837
Income before under noted items	$	4,704	$	286	$	—		4,990
Restructuring expenses								869
Unallocated corporate expenses								2,039
Income before finance costs and income taxes								2,082
Finance costs								1,675
Deferred income tax expense								153
Net income for the period							$	254

For the six months ended June 30, 2015		**DATA**		**Multiple Pakfold**		**Intersegment**		**Total**
Revenues	**$**	**142,166**	**$**	**7,916**	**$**	**(633)**	**$**	**149,449**
Gross profit		**31,485**		**1,426**		**—**		**32,911**
Impairment of goodwill		**26,000**		**—**		**—**		**26,000**
(Loss) income before under noted items	**$**	**(18,595)**	**$**	**419**	**$**	**—**		**(18,176)**
Restructuring expenses								**6,259**
Unallocated corporate expenses								**5,055**
Loss before finance costs and income taxes								**(29,490)**
Finance costs								**2,911**
Current income tax expense								**83**
Deferred income tax recovery								**(1,670)**
Net loss for the period							**$**	**(30,814)**

Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2015 and 2014

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

For the six months ended June 30, 2014	DATA	Multiple Pakfold	Intersegment	Total
Revenues	$ 147,842	$ 7,546	$ (712)	$ 154,676
Gross profit	35,217	1,423	—	36,640
Income before under noted items	$ 10,475	$ 447	$ —	10,922
Restructuring expenses				1,734
Unallocated corporate expenses				4,327
Income before finance costs and income taxes				4,861
Finance costs				3,358
Deferred income tax expense				453
Net income for the period				$ 1,050

Warehousing revenues were approximately 7% of total consolidated revenues for the three months ended June 30, 2015 and were approximately 7% of total consolidated revenues for the three months ended June 30, 2014.

Warehousing revenues were approximately 7% of total consolidated revenues for the six months ended June 30, 2015 and were approximately 7% of total consolidated revenues for the six months ended June 30, 2014.

17 Subsequent events

CREDIT AGREEMENT - WAIVER AND AMENDMENT

Subsequent to the quarter ended June 30, 2015, DATA Group obtained a waiver from its Lenders and amended the terms of its Credit Agreement. See (note 8).

RESTRUCTURING EXPENSES

Subsequent to the quarter ended June 30, 2015, DATA Group presently expects to incur restructuring expenses of approximately $7,500 which relate primarily to severance costs associated with headcount reductions across all functions of the company. These expenses will be recorded during the second half of 2015 in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

CORPORATE INFORMATION

Directors & Officers

Michael Blair
Chairman, Director

J.R. Kingsley Ward
Vice-Chairman, Director

Rod Phillips
Director

Harinder S. Takhar
Director

William Albino
Director

Mike Sifton
Director & Officer
President & Chief Executive Officer

James Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

Executive Team

Mike Sifton
President & Chief Executive Officer

James Lorimer
Chief Financial Officer

Judy Holcomb-Williams
Vice-President
Human Resources

Steve Wittal
Senior Vice-President, Sales

Alan Roberts
Senior Vice-President, Operations

Jeff Gladwish
Vice-President, Marketing

Corporate Information

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PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

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