## *Letter to shareholders*

Dear fellow shareholders:

**DATA Group earned net income of $4.5 million or $0.19 per share in the year ended December 31, 2014 versus a loss in the prior year.** I am particularly encouraged by our results in the second half of 2014 as revenue increased by 1.4% and Adjusted EBITDA stabilized compared to the same period in 2013.

Debt Reduction

During the year, DATA Group repaid $6.5 million of debt, bringing its total debt including its convertible debentures to $90.1 million. During the fourth quarter we extended the term of our senior debt credit facilities to August 31, 2016.

Revenue Stabilization/Growth

Our intent in 2014 was to stabilize our revenue and position ourselves for longer term revenue growth. During 2014, DATA Group had revenues of $313.2 million, a 1.2% decline from 2013. Our revenues included strong growth from our U.S. customers. During the second half of 2014 overall revenue grew by 1.4% compared to the same period in 2013. We continue with our plans to;

- Add new sales talent
- Win market share in our traditional print business
- Invest in the key growth areas we have identified; labels, marketing print and digital communications
- Bundling our digital services with our print offerings
- Expand our U.S. revenue

In the fourth quarter we made a number of investments in this regard, highlighted by new sales leadership in Western Canada, the creation of a dedicated, new Marketing function and a decision to upgrade our print capability at our new Calgary facility that will come on-line in early 2015.

Cost Reduction

We are reducing our costs to balance productive capacity with demand in declining markets while investing selectively in growth areas. When we started the restructuring process in 2013, we had a target to take out 35% of our manufacturing floor space and 20% of our headcount at all levels. We are well advanced in achieving our targets. By the middle of 2015 we will have reduced our manufacturing floor space by 26% and our headcount by 20%. While doing this, we have successfully sublet three of the exited facilities in which we had ongoing lease commitments. We are continuing with these initiatives and look forward to reporting further progress.

Last fall we announced plans for the consolidation of four existing manufacturing locations in Western Canada into one new, modern print and marketing communications centre located in Calgary, Alberta. We are on schedule to finish this project by the end of first quarter of 2015 as originally planned. Since last fall, we have identified further savings opportunities we expect to act on in the first half of 2015. These savings will come from the reorganization of several locations, process improvements and strategic sourcing initiatives. Including the Western Canadian consolidations announced, we anticipate annual savings of $9.0 million to $11.0 million as a result of these actions, with associated restructuring charges in the first half of 2015 of $5.0 million to $6.0 million. The majority of these actions will take place in the first quarter of 2015.

Why is a Transformation Plan Required?

Our industry has seen wholesale changes over the last number of years, mostly due to rapid technological advances. The competitive environment has become even more challenging as our industry transforms to more digital forms of communications and adapts to new client demands for blended print and digital solutions. DATA Group has responded with a Transformation Plan that establishes clear goals, all of which aim to enhance shareholder value. Our Transformation Plan is showing results in the three key areas we have targeted; cost reduction, debt reduction and revenue stabilization/growth.

2015 Outlook

For 2015, DATA Group expects to report higher net income and continued reductions in total indebtedness. To support this, our revenue growth and cost reduction strategies will continue. The associated restructuring expenses will be more than offset by efficiency gains. Management has set the following financial targets for 2015:

- Net income of at least $6.0 million;
- Debt reduction of at least $10.0 million;
- Revenues equal to or better than 2014; and,
- Return on shareholders’ equity of at least 25% after taxes

Conclusion

During 2014 our Transformational Plan showed a number of positive trends. During 2015 we intend to intensify our focus and accelerate our results regarding on our key goals of cost reduction, debt reduction and revenue growth. We will do this with a sense of urgency, while also being mindful of maintaining the operational business stability that is a precondition to maintaining our valued customer relationships.

For a full description of our financial results for the fourth quarter and full 2014 year, please refer to our audited consolidated financial statements for the year ended December 31, 2014 and related management’s discussion and analysis, copies of which are available at www.sedar.com or by contacting us at 905-791-3151.

I would like to conclude by thanking our investors, customers and employees for their support and encourage our shareholders to contact me directly at 905-494-4006.

March 2015

(Signed) "Michael Suksi"

Michael Suksi
President and Chief Executive Officer

DATA Group Ltd.

## *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. (the "DATA Group") for the years ended December 31, 2014 and 2013. This MD&A should be read in conjunction with the DATA Group's audited consolidated financial statements and accompanying notes for the years ended December 31, 2014 and 2013.

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 March 4, 2015. Additional information relating to DATA Group, including its most recently filed audited 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 year ended December 31, 2014 means EBITDA adjusted for restructuring charges and gains on the cancellation of convertible debentures. Adjusted EBITDA for the year ended December 31, 2013 means EBITDA adjusted for restructuring charges and goodwill impairment charges. Adjusted EBITDA for the year ended December 31, 2012, means EBITDA adjusted for corporate conversion costs, a gain on the settlement of a pension plan and a goodwill impairment charge. 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 process. 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 1,640 employees working from 34 locations across Canada and the United States, and operates as two reporting segments. DATA East and West (which provided approximately 95% of DATA Group's total revenue in 2014) 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 2014) sells forms and labels to independent brokers and resellers in the Canadian market. Certain elements of the DATA Group's gift card and direct mail businesses and the buying pattern 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 its Transformation Plan and remains focused on creating long-term enterprise value appreciation for its shareholders. See "Outlook" below.

## *General information and Results of operations*

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

For the years ended December 31, 2014, 2013 and 2012

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

| | **January 1 to December 31, 2014** | January 1 to December 31, 2013 | January 1 to December 31, 2012 |
|---|---|---|---|
| Revenues | **$ 313,175** | $ 316,961 | $ 336,315 |
| Cost of revenues | **238,563** | 236,879 | 249,143 |
| Gross profit | **74,612** | 80,082 | 87,172 |
| | | | |
| Selling, general and administrative expenses | **57,074** | 59,826 | 63,963 |
| Restructuring expenses | **2,804** | 7,034 | — |
| Impairment of goodwill | **—** | 44,000 | 44,000 |
| Gain on cancellation of convertible debentures | **(103)** | — | — |
| Corporate conversion costs | **—** | — | 84 |
| Gain on settlement of pension plan | **—** | — | (243) |
| Amortization of intangible assets | **1,916** | 8,370 | 9,242 |
| | **61,691** | 119,230 | 117,046 |
| Income (loss) before finance costs and income taxes | **12,921** | (39,148) | (29,874) |
| Finance costs | | | |
| Interest expense | **6,124** | 6,657 | 6,659 |
| Interest income | **(21)** | (15) | (15) |
| Amortization of transaction costs | **591** | 568 | 617 |
| | **6,694** | 7,210 | 7,261 |
| Income (loss) before income taxes | **6,227** | (46,358) | (37,135) |
| Income tax expense (recovery) | | | |
| Current | **69** | 2,916 | 4,220 |
| Deferred | **1,679** | (3,432) | (3,848) |
| | **1,748** | (516) | 372 |
| Net income (loss) for the year | **$ 4,479** | $ (45,842) | $ (37,507) |
| | | | |
| Net income (loss) attributable to shareholders | **$ 4,479** | $ (45,831) | $ (37,451) |
| Basic and diluted earnings (loss) per share | **$ 0.19** | $ (1.95) | $ (1.59) |
| Weighted average number of shares | **23,490,592** | 23,490,592 | 23,490,592 |

| | As at December 31, 2014 | As at December 31, 2013 | As at December 31, 2012 |
|---|---|---|---|
| Current assets | **$ 83,619** | $ 78,717 | $ 84,069 |
| Current liabilities | **46,176** | 42,545 | 40,316 |
| | | | |
| Total assets | **164,977** | 166,597 | 224,629 |
| Total non-current liabilities | **100,388** | 105,977 | 122,199 |
| | | | |
| Shareholders’ equity | **18,413** | 18,075 | 61,978 |
| Non-controlling interests | **—** | — | 136 |
| Total equity | **18,413** | 18,075 | 62,114 |

***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 years ended December 31, 2014, 2013 and 2012

*(in thousands of Canadian dollars, except percentage amounts, unaudited)*

| | **January 1 to December 31, 2014** | January 1 to December 31, 2013 | January 1 to December 31, 2012 |
|---|---|---|---|
| **Revenues** | | | |
| DATA East and West | **$ 298,860** | $ 304,243 | $ 322,894 |
| Multiple Pakfold | **15,710** | 13,883 | 14,537 |
| Intersegment | **(1,395)** | (1,165) | (1,116) |
| | **$ 313,175** | $ 316,961 | $ 336,315 |
| **Gross profit** | | | |
| DATA East and West | **$ 71,654** | $ 77,492 | $ 84,349 |
| Multiple Pakfold | **2,958** | 2,590 | 2,823 |
| | **$ 74,612** | $ 80,082 | $ 87,172 |
| **Gross profit, as a percentage of revenues** | | | |
| DATA East and West | **24.0%** | 25.5% | 26.1% |
| Multiple Pakfold | **18.8%** | 18.7% | 19.4% |
| | **23.8%** | 25.3% | 25.9% |
| **Selling, general and administrative expenses** | **$ 57,074** | $ 59,826 | $ 63,963 |
| As a percentage of revenues | **18.2%** | 18.9% | 19.0% |
| **Adjusted EBITDA** (see Table 3) | **$ 22,478** | $ 25,586 | $ 28,936 |
| Adjusted EBITDA margin, as a percentage of revenues | **7.2%** | 8.1% | 8.6% |
| **Net income (loss) for the year** | **$ 4,479** | $ (45,842) | $ (37,507) |

***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 years ended December 31, 2014, 2013 and 2012

*(in thousands of Canadian dollars, unaudited)*

| | **January 1 to December 31, 2014** | January 1 to December 31, 2013 | January 1 to December 31, 2012 |
|---|---|---|---|
| **Net income (loss) for the year** | **$ 4,479** | $ (45,842) | $ (37,507) |
| Interest expense | **6,124** | 6,657 | 6,659 |
| Interest income | **(21)** | (15) | (15) |
| Amortization of transaction costs | **591** | 568 | 617 |
| Current income tax expense | **69** | 2,916 | 4,220 |
| Deferred income tax expense (recovery) | **1,679** | (3,432) | (3,848) |
| Depreciation of property, plant and equipment | **4,940** | 5,330 | 5,727 |
| Amortization of intangible assets | **1,916** | 8,370 | 9,242 |
| **EBITDA** | **$ 19,777** | $ (25,448) | $ (14,905) |
| Restructuring expenses | **2,804** | 7,034 | — |
| Impairment of goodwill | **—** | 44,000 | 44,000 |
| Gain on cancellation of convertible debentures | **(103)** | — | — |
| Corporate conversion costs | **—** | — | 84 |
| Gain on settlement of pension plan | **—** | — | (243) |
| **Adjusted EBITDA** | **$ 22,478** | $ 25,586 | $ 28,936 |

## *Results of operations*

### REVENUES

For the year ended December 31, 2014, DATA Group recorded revenues of $313.2 million, a decrease of $3.8 million or 1.2% compared with the same period in 2013. The decrease, before intersegment revenues, was the result of a $5.4 million decrease in the DATA East and West segment and was partially offset by a $1.8 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 year ended December 31, 2014, cost of revenues increased to $238.6 million from $236.9 million for the same period in 2013. Gross profit for the year ended December 31, 2014 was $74.6 million, which represented a decrease of $5.5 million or 6.8% from $80.1 million for the same period in 2013. The decrease in gross profit for the year ended December 31, 2014 was attributable to a gross profit decrease of $5.8 million in the DATA East and West segment and was partially offset by a gross profit increase of $0.4 million in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 23.8% for the year ended December 31, 2014 compared to 25.3% for the same period in 2013.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING EXPENSES

Selling, general and administrative ("SG&A") expenses, excluding amortization of intangible assets, for the year ended December 31, 2014 decreased $2.8 million or 4.6% to $57.1 million compared to $59.8 million for the same period of 2013. The decrease in SG&A expenses for the year ended December 31, 2014 was attributable to the benefits realized from cost savings initiatives implemented in 2013, which included simplifying DATA Group's organizational structure and centralizing a number of functions. As a percentage of revenues, these costs were 18.2% and 18.9% of revenues for the years ended December 31, 2014 and 2013, respectively.

For the year ended December 31, 2014, DATA Group incurred restructuring expenses related to headcount reductions, management changes, consulting fees and the closure of one manufacturing location of $2.8 million as part of its 2014 restructuring initiatives. For the year ended December 31, 2013, DATA Group incurred restructuring expenses related to headcount reductions of 145 staff (approximately 8%), the closure and downsizing of certain manufacturing locations and warehouses, and lease exit charges of $7.0 million as part of its 2013 restructuring initiatives. Those restructuring initiatives included a number of changes in DATA Group's sales management and executive teams, closing facilities in Brockville, Ontario and Anjou, Québec, downsizing two other production facilities and transferring certain operations from Markham, Ontario to DATA Group's existing facility in Mississauga, Ontario.

## IMPAIRMENT OF GOODWILL

During the fourth quarter of 2014, DATA Group performed its annual review for impairment of goodwill 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 no goodwill impairment charges were required.

During the third quarter of 2013, market factors, including the trading price of DATA Group’s common shares and changes in revenue trends and forecasted profits, 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 CGU to the CGU’s carrying value. As a result of that review and market factors, DATA Group concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized an impairment of goodwill charge of $19.0 million related to the DATA East and West CGU during the third quarter of 2013. During the fourth quarter of 2013, DATA Group performed its annual review for impairment of goodwill and concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized a further impairment of goodwill charge of $25.0 million related to the DATA East and West CGU in fourth quarter of 2013.

## GAIN ON CANCELLATION OF CONVERTIBLE DEBENTURES

For the year ended December 31, 2014, DATA Group began a Normal Course Issuer Bid ("NCIB") to purchase a portion of its outstanding 6.00 % convertible unsecured subordinated debentures (the "6.00% Convertible Debentures") and record a gain of $0.1 million related to the cancellation of debentures purchased under the NCIB.

## ADJUSTED EBITDA

For the year ended December 31, 2014, Adjusted EBITDA was $22.5 million, or 7.2% of revenues. Adjusted EBITDA for the year ended December 31, 2014 decreased $3.1 million or 12.1% from the same period in the prior year and the Adjusted EBITDA margin for the year, as a percentage of revenues, decreased from 8.1% of revenues in 2013 to 7.2% of revenues in 2014. The decrease in Adjusted EBITDA was attributable to the continued investment in new products and services, a decline in revenues in first half of 2014 and the fourth quarter of 2014 due 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 on long-term debt outstanding under DATA Group's credit facilities, the 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was $6.1 million for the year ended December 31, 2014 compared to $6.7 million for the same period in 2013. Interest expense for the year ended December 31, 2014 was lower than the same period in the prior year primarily as a result of reductions in discount rates used to measure DATA Group's employee benefit plans and a reduction in long-term debt outstanding under DATA Group's credit facilities.

**INCOME TAXES**

DATA Group reported income before income taxes of $6.2 million, a current income tax expense of $0.1 million and a deferred income tax expense of $1.7 million for the year ended December 31, 2014 compared to a loss before income taxes of $46.4 million, a current income tax expense of $2.9 million and a deferred income tax recovery of $3.4 million for the year ended December 31, 2013. The current tax expense was primarily related to the income tax payable on DATA Group's estimated taxable income for the years ended December 31, 2014 and 2013, respectively. The decrease in the current income tax expense for the year ended December 31, 2014 was primarily due to the use of tax non-capital loss carry-forwards. 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 years ended December 31, 2014 and 2013.

**NET INCOME (LOSS)**

Net income for the year ended December 31, 2014 was $4.5 million compared to a net loss of $45.8 million for the year ended December 31, 2013. The increase in comparable profitability for the year ended December 31, 2014 was substantially due to cost savings realized as a result of prior restructuring initiatives that led to a decline in SG&A expenses, the absence of any goodwill impairment charges , a reduction in restructuring expenses, amortization of intangible assets and current income tax expense during the year ended December 31, 2014, respectively. The increase in comparable profitability was partially offset by lower gross profit as a result of lower revenues and a larger deferred tax expense during the year ended December 31, 2014.

### *DATA East and West*

Revenues at DATA Group's DATA East and West segment for the year ended December 31, 2014 decreased $5.4 million or 1.8% to $298.9 million from $304.2 million for the same period in the prior year. The decrease in revenues occurred primarily in the first, second and fourth quarters and was primarily due to orders from existing customers for print-related products and services which did not repeat in 2014 , aggressive pricing by DATA Group's competitors supplying similar products and services, technological change and a change in product mix. Third quarter revenues increased as a result of an increase in sales to existing customers, an improvement in product mix and price increases passed through to customers for increased material costs. The segment generally continued to experience revenue gains from new business, which partially offset declines in revenues from existing customers due to non-repeating orders, technological change and competitive activity.

For the year ended December 31, 2014, gross profit decreased $5.8 million or 7.5% to $71.7 million from $77.5 million in the same period in 2013. Gross profit as a percentage of revenues for the year ended December 31, 2014 decreased to 24.0% from 25.5% for the same period in 2013. The decline in gross profit as a percentage of revenues for the year ended December 31, 2014 was due to a decrease in revenues and the impact of competitive pricing and changes in product mix, which were offset by cost reductions realized from prior savings initiatives. These cost savings included headcount reductions and the renegotiation of agreements for a number of raw material input costs. During the year ended December 31, 2014, 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 year ended December 31, 2014 increased $1.8 million or 13.2% to $15.7 million from $13.9 million for the same period in the prior year. The increase in revenues for the year ended December 31, 2014 was primarily due to new business which arose as a result of the bankruptcy of a competitor.

For the year ended December 31, 2014, gross profit increased $0.4 million or 14.2% to $3.0 million from $2.6 million in the same period in 2013. Gross profit as a percentage of revenues for the year ended December 31, 2014 increased to 18.8% from 18.7% for the same period in 2013. The increase in the gross profit as a percentage of revenues for the year ended December 31, 2014 was due to higher revenues and benefits realized from cost savings initiatives instituted in 2013.

## 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 Agreement (the "Amended 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 and will be permanently reduced as follows: by $1.0 million on the last day of March, June, September and December of 2015 and by $1.5 million on the last day of March and June of 2016, such that on maturity the maximum available principal amount of the term loan will be $32.75 million. As at December 31, 2014, DATA Group had made a principal repayment towards the revolving facility of $0.5 million.

The Amended Credit Agreement also 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 of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA"). The maximum ratio allowed for a 12-month trailing period is 2.50 at December 31, 2014 and March 31, 2015, respectively. The maximum ratio allowed for a 12-month trailing period declines to 2.25 at June 30, September 30, December 31 of 2015 and at March 31, 2016, respectively, and declines further to 2.0 after March 31, 2016. As at December 31, 2014, this ratio was calculated at 2.10 (2013 – 2.08). DATA Group is also required to maintain, at all times, a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges. The minimum ratio allowed for a 12-month trailing period is 1.25. As at December 31, 2014, this ratio was calculated at 1.61 (2013 – 2.14). The Amended 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 its common shares without the prior consent of the Lenders. A failure by DATA Group to comply with its obligations under the Amended 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 under those credit facilities. The Credit Facilities are secured by conventional security charging all the property and assets of DATA Group and its subsidiary.

As at December 31, 2014, DATA Group had outstanding borrowings of $47.3 million under the Credit Facilities and was in compliance with its covenants under the Amended Credit Agreement. As at December 31, 2014, all of DATA Group's indebtedness outstanding under the Credit Facilities was subject to a floating interest rate of 4.59% per annum.

As at December 31, 2014, DATA Group had an aggregate principal amount of $44.7 million outstanding of 6.00% Convertible Debentures. 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. 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 December 31, 2014, DATA Group had cash and cash equivalents of $0.8 million compared to cash and cash equivalents of $0.5 million at December 31, 2013. During the year ended December 31, 2014, DATA Group used $6.3 million 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 available credit less letters of credit granted of $2.2 million at December 31, 2014.

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. DATA Group anticipates that its maintenance capital expenditures will be approximately $5.0 million in 2015. Cash flows from operations have been, and could continue to be negatively impacted by decreased demand for DATA Group's products and services, 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, DATA Group's existing operating costs 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 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 also contributes to the Graphics Communications Supplemental Retirement and Disability Fund of Canada (“SRDF”) for certain employees at its Granby and Drummondville, Québec plants. Certain former senior executives of a predecessor corporation participated in a Supplementary Executive Retirement Plan (“SERP”), which provides for pension benefits payable as a single life annuity with a five year guarantee.

Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Group Pension Plan. However, DATA Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Group Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Group Pension Plan. Applicable pension legislation requires that the funded status of the defined benefit provision of the DATA Group Pension Plan be determined periodically on both a going concern basis (i.e., essentially assuming indefinite plan continuation) and a solvency basis (i.e., essentially assuming immediate plan termination).

The funded status of DATA Group’s pension plan is impacted by actuarial assumptions, the plan’s investment performance, changes in economic conditions and debt and equity markets, changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administrative expenses, among others. Where an actuarial valuation reveals a solvency deficit, current pension regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. Actuarial valuations are required on the DATA Group Pension Plan every three years, beginning January 1, 2014. Based on these valuations, the annual cash contributions to this plan will be determined and will depend on the plan’s investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others.

During the year ended December 31, 2014, DATA Group engaged actuaries to complete an updated actuarial valuation of the DATA Group Pension Plan, which confirmed that, as at January 1, 2014, the DATA Group Pension Plan had a reduced solvency deficit from January 1, 2013. Based upon the January 1, 2014 actuarial valuation report, DATA Group’s annual cash contributions for the next three years to the defined benefit provision of the DATA Group Pension Plan decreased to $1.3 million from $2.3 million effective from January 1, 2014. During the year ended December 31, 2014, DATA Group made all the required payments related to its funding requirement for the defined benefit provision of the DATA Group Pension Plan for 2014, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2014. DATA Group’s projected funding obligations for the defined benefit provision of this plan are set out below in the

"Contractual obligations – Summary" table under the heading "Contractual obligations". DATA Group's funding obligation for the defined benefit provision of the DATA Group Pension Plan for 2015 is $1.3 million.

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. DATA Group makes contributions to the SRDF based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of who are employed at DATA Group facilities located in the Province of Québec. 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 in respect of the Québec members of the plan discloses 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. There is no contractual agreement as to how the share of the deficiency is determined or funded in respect of each participating employer. These issues also affect other industry groups and are currently being negotiated by the relevant parties. DATA Group may be required to make additional ongoing contributions towards funding its portion of the solvency deficiency. Under current Québec pension legislation, DATA Group would be required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if, in the future, DATA Group withdraws from the plan or the plan is terminated. Based on the most recent actuarial report and additional information supplied by the multi-employer plan actuary and administrator, the portion of the plan solvency deficiency in respect of DATA Group's employees, pensioners and vested deferred members is estimated to be approximately $30.0 million or 16.0% of the total plan solvency deficiency as of December 31, 2013. Currently, there is uncertainty and a lack of complete information to support the allocation of assets and liabilities used to determine this estimate. There is also uncertainty over DATA Group's funding obligation in respect of a solvency deficiency while the plan is ongoing. DATA Group has accounted for this plan on a defined contribution basis as DATA Group does not believe there is sufficient information to recognize participation on a defined benefit basis.

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, as currently drafted, would amend the Québec pension legislation for the SRDF to, among other things, require employers to contribute only 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. Bill 34 has not yet been passed into law and there can be no assurance that this proposed legislation will be adopted in its current form or at all.

The SERP is unfunded. DATA Group's annual funding obligation under the SERP is approximately $0.6 million.

**CASH FLOW FROM OPERATIONS**

Changes in working capital decreased cash by $0.4 million during the year ended December 31, 2014. The trade receivables balance increased by $0.6 million as a result of the timing of payments by DATA Group's customers. Inventory levels increased by $2.4 million as a result of timing of shipments of products to customers of the DATA East and West segment. Prepaid expenses and other current assets increased by $1.6 million due to the prepayment of customer incentives, a deposit for new printing equipment and a lease deposit for a new manufacturing facility in Calgary, Alberta, in which DATA Group is consolidating its Calgary operations. The trade payables balance increased by $2.9 million as a result of the timing of payments to suppliers for purchases during the fourth quarter of 2014. Deferred revenues increased by $1.3 million due to the timing of shipments during the fourth quarter of 2014.

**INVESTING ACTIVITIES**

DATA Group takes a disciplined approach to monitoring its investments, whereby material capital expenditures are subjected to rigorous analysis and ongoing measurement and comparison against budgets to ensure a return on the investment. DATA Group's maintenance capital expenditures consist of replacement of existing capital assets to sustain cash flows, and typically include furniture, fixtures, computer equipment, printing equipment, and leasehold improvements. DATA Group's growth capital expenditures consist of purchases of capital assets to generate new cash flows, and typically include the purchase of new furniture, fixtures, computer equipment and printing equipment to support new business and organic business growth. In addition to maintenance and growth capital expenditures, DATA Group incurs recurring repair and maintenance expenses that are expensed as they are incurred and are not included in capital expenditures. Capital expenditures for the year ended December 31, 2014 of $3.2 million related primarily to maintenance capital expenditures and the consolidation of manufacturing facilities. These capital expenditures were financed by cash flow from operations.

**FINANCING ACTIVITIES**

During for the year ended December 31, 2014, DATA Group repaid $6.3 million of the Credit Facilities outstanding.

## Normal Course Issuer Bid

Pursuant to a Notice of Intention to Make a Normal Court Issuer Bid (the “Notice”) dated May 12, 2014, DATA Group commenced a normal course issuer bid (“NCIB”) to purchase up to a maximum of $4,475,640 aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the “public float” of the 6.00% Convertible Debentures outstanding as at May 1, 2014. The daily average trading volume of the 6.00% Convertible Debentures for the six calendar months preceding May 1, 2014 represents $76,113 aggregate principal amount of 6.00% Convertible Debentures. Daily purchases are limited to $19,028 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. The 6.00% Convertible Debentures are quoted based on $100 principal amounts with all trades being made in multiples of $1,000. As of December 31, 2014, DATA Group had $44.7 million aggregate principal amount of 6.00% Convertible Debentures outstanding. Purchases under the NCIB commenced on the Toronto Stock Exchange (the “TSX”) on May 15, 2014 and will terminate on the earlier of May 14, 2015, the date DATA Group completes its purchases pursuant to the Notice filed with the TSX and the date of notice by DATA Group of termination of the bid. The 6.00% Convertible Debentures purchased under the NCIB will be cancelled. Purchase and payment for the 6.00% Convertible Debentures will be made by DATA Group in accordance with the rules and policies of the TSX and the price that DATA Group will pay for any 6.00% Convertible Debentures acquired by it will be at the market price of the 6.00% Convertible Debentures at the time of acquisition. As at the date of this report, $0.3 million 6.00% Convertible Debentures have been purchased under the NCIB. The actual number of 6.00% Convertible Debentures made by DATA Group pursuant to the NCIB and the timing of any such purchases will occur when management believes that the market price of the 6.00% Convertible Debentures may be attractive and that the purchase of 6.00% Convertible Debentures would be an appropriate use of corporate funds in light of potential benefits to remaining shareholders.

Shareholders can obtain a copy of the Notice filed with the regulators by DATA Group, without charge, by contacting DATA Group Ltd., 9195 Torbram Road, Brampton, ON, L6S 6H2 or by calling 905-791-3151.

## Outstanding share data

At March 4, 2015, December 31, 2014 and December 31, 2013, there were 23,490,592 common shares of DATA Group outstanding. At March 4, 2015 and December 31, 2014, there was $44.7 million aggregate principal amount of 6.00% Convertible Debentures outstanding compared to $45.0 million at December 31, 2013. 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.

## Dividends

The Board of Directors has established and adopted a dividend policy. DATA Group does not currently pay dividends on its common shares and does not intend on doing so for the foreseeable future. The dividend policy is subject to the discretion of the Board of Directors and will be evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, the DATA Group's earnings, financial requirements, growth opportunities, the satisfaction of solvency tests imposed by the Ontario Business Corporations Act for the declaration of dividends and other conditions existing at such future time.

Under the terms of the Amended Credit Agreement, DATA Group is not permitted to declare or pay dividends on its common shares without the prior consent of the Lenders.

## Financial instruments and Risk management

DATA Group's financial instruments consisted of cash and cash equivalents, trade receivables, trade payables, and long-term debt, the amounts of which are included in DATA Group's consolidated statements of financial position as at December 31, 2014 and December 31, 2013, respectively. DATA Group did not enter into financial instruments for trading or speculative purposes.

**FAIR VALUE**

The carrying value of cash and cash equivalents, trade receivables, and trade payables, approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of DATA Group's Credit Facilities approximates its carrying value as it bears interest at a floating interest rate. The 6.00% Convertible Debentures are listed for trading on the Toronto Stock Exchange ("TSX") and the debt portion is recorded at amortized cost. Based on the quoted market price, the 6.00% Convertible Debentures had a fair value of $27.9 million at December 31, 2014 compared to a book value of $43.2 million for the debt portion and of $0.5 million for the conversion options recorded at its historical value.

**CREDIT RISK**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subjected DATA Group to credit risk consisted of cash and cash equivalents and trade receivables. The carrying amount of assets included on the statement of consolidated position of DATA Group represents the maximum credit exposure.

DATA Group grants credit to customers in the normal course of business. DATA Group typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit terms when warranted and periodically thereafter. Normal credit terms for amounts due from customers call for payment within 0 to 90 days.

DATA Group has trade receivables from clients engaged in various industries including financial institutions, insurance companies, oil and gas companies, retailers, and governmental agencies that are not concentrated in any specific geographic area. DATA Group does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by DATA Group's large client base.

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off. As at December 31, 2014, $2.0 million or 5.3%, of trade receivables were more than 90 days old, an increase from $1.3 million or 3.4%, of trade receivables that were more than 90 days old at December 31, 2013.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, DATA Group enters into derivative transactions only with highly rated Canadian financial institutions. At December 31, 2014 and 2013, no such transactions were outstanding.

**LIQUIDITY RISK**

Liquidity risk is the risk that DATA Group may encounter difficulties in meeting obligations associated with financial liabilities as they become due. DATA Group believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing and planned restructuring initiatives will be sufficient to fund DATA Group's currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to DATA Group's pension plans, maintenance capital expenditures and interest and scheduled repayments of borrowing under DATA Group's Credit Facilities.

**MARKET RISK**

INTEREST RATE RISK

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities. Non-derivative interest bearing assets are primarily short term liquid assets. DATA Group's interest rate risk arises from long-term debt issuances at fixed and floating interest rates.

CURRENCY RISK

Currency risk is the risk that future cash flows arising from a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of business, DATA Group does not have significant foreign exchange transactions and, accordingly, the amounts and currency risk are not expected to have adverse material impact on the operations of DATA Group.

Note 16 to the audited consolidated financial statements of DATA Group for the year ended December 31, 2014 contains additional information on DATA Group's financial instruments.

## Contractual obligations

DATA Group believes that DATA Group will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2014. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

## Contractual obligations – Summary

As at December 31, 2014

*(in thousands of Canadian dollars, unaudited)*

| | Total | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 and thereafter |
|---|---|---|---|---|---|---|---|
| Pension funding contributions (1) | $ 8,520 | $ 1,878 | $ 1,866 | $ 1,859 | $ 1,851 | $ 533 | $ 533 |
| Long-term debt (2) | $ 50,633 | 6,100 | 44,533 | — | — | — | — |
| Convertible debentures (3) | $ 51,410 | 2,682 | 2,682 | 46,046 | — | — | — |
| Operating leases | $ 33,758 | 12,557 | 9,362 | 5,317 | 2,362 | 1,529 | 2,631 |
| Total | $ 144,321 | $ 23,217 | $ 58,443 | $ 53,222 | $ 4,213 | $ 2,062 | $ 3,164 |

**Notes:**

(1) *DATA Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Group Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Group Pension Plan. See "Liquidity and capital resources – Pension funding obligations" above. The table above includes amounts payable under the SERP. DATA Group's obligations under the SERP consist of benefits payable as a single life annuity with a five year guarantee. The duration of these payments is dependent on the length of each participant's life and, in certain cases, that of their designated beneficiary, and their age in any given year.*

(2) *Represents amounts payable under the Credit Facilities. As at December 31, 2014, outstanding borrowings under the Credit Facilities totalled $47.3 million and bore interest at an average floating rate of 4.59% per annum. The outstanding borrowings under the Credit Facilities will be reduced by principal repayments of $1.0 million at the end of each quarter of 2015 and by principal repayments of $1.5 million on March 31 and June 30 of 2016. The Credit Facilities mature on August 31, 2016. Estimated interest amounts in respect of 2015 and 2016 have been calculated based upon total borrowings outstanding during the periods and the average annual floating interest rate in effect at December 31, 2014.*

(3) *6.00% Convertible Debenture, which mature on June 30, 2017 and are convertible at 81.967 shares per $1,000 principal amount of debenture. Annual interest is based on the aggregate amount 6.00% Convertible Debentures outstanding at December 31, 2014 of $2.7 million. Included in the 2017 amount is interest of $1.3 million.*

## Off-balance sheet arrangements

DATA Group's off-balance sheet arrangements are operating leases. DATA Group leases real estate, printing equipment, trucks and office equipment in connection with its sales and manufacturing activities under non-cancellable lease agreements, which expire at various dates.

## Transactions with related parties

During the year ended December 31, 2014, there were regular intercompany activities between DATA Group and its subsidiary during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DATA Group. Related parties are defined as individuals who can influence the direction or management of DATA Group or any of its subsidiaries and therefore the directors and officers of DATA Group's subsidiaries are considered related parties. Neither DATA Group nor its subsidiary entered into any transactions with related parties as defined above during the year ended December 31, 2014.

## Operating results for the fourth quarter of 2014 and 2013

*(in thousands of Canadian dollars, unaudited)*

| | | **October 1 to December 31, 2014** | | October 1 to December 31, 2013 |
|---|---|---|---|---|
| Revenues | **$** | **80,371** | $ | 82,147 |
| Cost of revenues | | **61,627** | | 61,257 |
| Gross profit | | **18,744** | | 20,890 |
| Selling, general and administrative expenses | | **13,715** | | 14,175 |
| Restructuring expenses | | **769** | | 396 |
| Impairment of goodwill | | **—** | | 25,000 |
| Gain on cancellation of convertible debentures | | **(43)** | | — |
| Amortization of intangible assets | | **479** | | 1,617 |
| Income (loss) before finance costs and income taxes | | **3,824** | | (20,298) |
| Finance costs | | | | |
| Interest expense | | **1,486** | | 1,691 |
| Interest income | | **(6)** | | (2) |
| Amortization of transaction costs | | **175** | | 134 |
| | | **1,655** | | 1,823 |
| Income (loss) before income taxes | | **2,169** | | (22,121) |
| Income tax expense (recovery) | | | | |
| Current | | **36** | | 1,055 |
| Deferred | | **553** | | (312) |
| | | **589** | | 743 |
| Net income (loss) for the period | **$** | **1,580** | $ | (22,864) |
| Net income (loss) attributable to common shareholders | | **1,580** | | (22,868) |
| Adjusted EBITDA [(1)] | | **6,215** | | 8,071 |

**Note:**

(1) *The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the periods noted. See "Non-GAAP Measures". Adjusted EBITDA for the (i) fourth quarter of 2014 means EBITDA adjusted for restructuring expenses and gains on the cancellation of convertible debentures; and (ii) fourth quarter of 2013 means EBITDA adjusted for restructuring expenses and a goodwill impairment charge.*

| *(in thousands of Canadian dollars, unaudited)* | | **October 1 to December 31, 2014** | | October 1 to December 31, 2013 |
|---|---|---|---|---|
| **Net income (loss) for the period** | **$** | **1,580** | $ | (22,864) |
| Interest expense | | **1,486** | | 1,691 |
| Interest income | | **(6)** | | (2) |
| Amortization of transaction costs | | **175** | | 134 |
| Current income tax expense | | **36** | | 1,055 |
| Deferred income tax expense (recovery) | | **553** | | (312) |
| Depreciation of property, plant and equipment | | **1,186** | | 1,356 |
| Amortization of intangible assets | | **479** | | 1,617 |
| **EBITDA** | | **5,489** | | (17,325) |
| Restructuring expenses | | **769** | | 396 |
| Impairment of goodwill | | **—** | | 25,000 |
| Gain on cancellation of convertible debentures | | **(43)** | | — |
| **Adjusted EBITDA** | **$** | **6,215** | $ | 8,071 |

## REVENUES

For the quarter ended December 31, 2014, DATA Group recorded revenues of $80.4 million, a decrease of $1.8 million or 2.2% compared with the same period in 2013. The decrease, before intersegment revenues, was the result of a $2.2 million decrease in the DATA East and West segment and was partially offset by a $0.4 million increase in the Multiple Pakfold segment. The decrease in revenues in the DATA East and West segment was due to declines in revenues from existing customers due to pricing concessions and changes in product mix. The decrease was partially offset by revenue gains from new business wins. The increase in revenues in the Multiple Pakfold segment was primarily due to new business which arose as a result of the bankruptcy of a competitor.

## COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2014, cost of revenues increased to $61.6 million from $61.3 million for the same period in 2013. Gross profit for the quarter ended December 31, 2014 was $18.7 million, which represented a decrease of $2.1 million or 10.3% from $20.9 million for the same period in 2013. The decrease in gross profit for the quarter ended December 31, 2014 was attributable to a gross profit decrease of $2.2 million in the DATA East and West segment and was partially offset by a $0.1 million increase in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 23.3% for the quarter ended December 31, 2014 compared to 25.4% for the same period in 2013.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING EXPENSES

SG&A expenses, excluding amortization of intangible assets, for the quarter ended December 31, 2014 decreased $0.5 million or 3.2% to $13.7 million compared to $14.2 million in the same period in 2013. As a percentage of revenues, these costs were 17.1% of revenues for the quarter ended December 31, 2014 compared to 17.3% of revenues for the same period in 2013. The decrease in SG&A expenses was attributable to the benefits realized from cost savings initiatives implemented in 2013 and early 2014.

For the quarter ended December 31, 2014, DATA Group incurred restructuring expenses of $0.8 million related to headcount reductions, management changes, consulting fees and the closure of one manufacturing location as part of its 2014 restructuring initiatives. For the year ended December 31, 2013, DATA Group incurred restructuring expenses of $0.4 million related to headcount reductions and adjustments to lease exit charges as part of its 2013 restructuring initiatives.

**IMPAIRMENT OF GOODWILL**

During the fourth quarter of 2014, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing no impairment of goodwill charges. 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 charge of $25.0 million related to the DATA East and West CGU.

**ADJUSTED EBITDA**

For the quarter ended December 31, 2014, Adjusted EBITDA was $6.2 million, or 7.7% of revenues. Adjusted EBITDA for the quarter ended December 31, 2014 decreased $1.9 million or 23.0% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 9.8% of revenues in 2013 to 7.7% of revenues in 2014. The decrease in Adjusted EBITDA was due to the continued investment in new products and services, a decline in revenues due 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 on long-term debt outstanding under DATA Group's credit facilities, the 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was $1.5 million for the quarter ended December 31, 2014 compared to $1.7 million for the same period in 2013. Interest expense for the quarter ended December 31, 2014 was lower than the same period in the prior year primarily as a result of reductions in discount rates used to measure DATA Group's employee benefit plans and a reduction in long-term debt outstanding under DATA Group's credit facilities.

**INCOME TAXES**

DATA Group reported income before income taxes of $2.2 million and a deferred income tax expense of $0.6 million for the quarter ended December 31, 2014 compared to a loss before income taxes of $22.1 million, a current income tax expense of $1.1 million and a deferred income tax recovery of $0.3 million for the quarter ended December 31, 2013. The current tax expense was primarily related to the income tax payable on DATA Group's estimated taxable income for the quarter ended December 31, 2013. The decrease in the current income tax expense for the quarter ended December 31, 2014 was primarily due to the use of tax non-capital loss carry-forwards. The deferred income tax expense and deferred income tax recovery were mainly due to changes in the estimate of the timing of future reversals of temporary differences and new temporary differences that arose during the quarters ended December 31, 2014 and 2013.

**NET INCOME (LOSS)**

Net income for the quarter ended December 31, 2014 was $1.6 million compared to a net loss of $22.9 million for the quarter ended December 31, 2013. The increase in comparable profitability for the quarter ended December 31, 2014 was substantially due to cost savings realized as a result of prior restructuring initiatives that led to a decline in SG&A expenses, the absence of any goodwill impairment charges, a reduction in amortization of intangible assets and current income tax expense during the quarter ended December 31, 2014. The increase in comparable profitability was partially offset by lower gross profit as a result of lower revenues, higher restructuring expenses, and a larger deferred tax expense during the quarter ended December 31, 2014.

## Eight quarter results of operations – Summary

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

| | **2014** | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 |
| Revenues | **$ 80,371** | **$ 78,128** | **$ 76,773** | **$ 77,903** | $ 82,147 | $ 74,129 | $ 77,822 | $ 82,863 |
| Net income (loss) attributable to shareholders | **1,580** | **1,849** | **254** | **796** | (22,868) | (20,164) | (3,652) | 853 |
| Basic earnings (loss) per share | **0.07** | **0.08** | **0.01** | **0.03** | (0.97) | (0.86) | (0.16) | 0.04 |
| Diluted earnings (loss) per share | **0.07** | **0.08** | **0.01** | **0.03** | (0.97) | (0.86) | (0.16) | 0.04 |

The variations in DATA Group's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2014 can be attributed to several principal factors: revenue declines in DATA Group's traditional print business due to technological change and competitive activity, DATA Group's investment in its growth strategy, restructuring and severance expenses related to DATA Group's ongoing productivity improvement and cost reduction initiatives, a gain on the settlement of a pension plan and goodwill impairment charges.

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 charge of $25.0

million related to its DATA East and West 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 charge of $19.0 million related to its DATA East and West 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 second quarter of 2013 included restructuring expenses of $5.2 million related to its cost reduction initiatives, and costs related to its continued investment in its growth strategy.

DATA Group's net income for the first quarter of 2014 included restructuring expense of $0.9 million related to its cost reduction initiatives. DATA Group's net income for the first quarter of 2013 included restructuring expenses of $0.8 million related to its costs reduction initiatives, and costs related to its continued investment in its growth strategy.

## Critical accounting estimates

A summary of significant accounting policies is included under notes 2 and 3 of the Notes to the audited consolidated financial statements of DATA Group for the year ended December 31, 2014. Critical accounting estimates require management to make certain judgments and estimates, some of which may be uncertain. Changes in these accounting estimates may have an impact on the financial results of DATA Group. Details of the critical accounting estimates are discussed below.

### ALLOWANCE FOR DOUBTFUL ACCOUNTS

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off.

## INVENTORY RESERVES

DATA Group maintains a reserve for slow-moving or obsolete inventory, which is reviewed periodically based upon usage and inventory age to determine its adequacy in order to carry inventory at the lower of cost and net realizable value. Physical inventories are taken throughout each year.

## GOODWILL

Goodwill represents the excess of the aggregate of consideration transferred in a business combination and the non-controlling interest in the acquired business over the net fair value of net identifiable assets and liabilities acquired. Goodwill is allocated to the CGU or group of CGUs to which it relates. A CGU is an identifiable group of assets that are largely independent of the cash flows from other assets or group of assets, which is not higher than an operating segment.

Goodwill is evaluated for impairment annually, or more frequently if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. The estimated fair value less costs to sell is determined by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values requires DATA Group to make a number of estimates and assumptions, such as projected future revenues, cost of revenues, operating margins, market conditions well into the future, and discount rates. These assumptions are based on management's best estimates and require judgment. As a result, there is inherent uncertainty and actual results may differ from the estimates (see "Measurement uncertainty" below). Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is charged to income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

## INTANGIBLE ASSETS

DATA Group has recognized intangible assets that are comprised of customer relationships, trademarks, trade names and technology. These intangible assets have finite lives. These intangibles are amortized over their estimated useful lives of three to twelve years. Management's judgment is required to determine the useful life of the intangible assets and, where it is believed to be required, an impairment provision is provided when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life of between three and twelve years is determined by reviewing the length of customer relationships and other factors.

**PENSION PLANS**

DATA Group accounts for its defined benefit pension plans in accordance with GAAP, which requires assumptions concerning future events. Such actuarial assumptions include projected salary increases, discount rates, retirement age, mortality rates and withdrawal rates, among others. DATA Group manages its pension plans by meeting with an actuarial consultant and the fund managers on a regular basis and reviewing periodic reports outlining changes in the plan liabilities and the return on pension assets relative to the market. Assumptions are reviewed on an ongoing basis and adjustments are made whenever management believes that conditions have materially changed. Management's estimates are outlined in the table below. Changes in assumptions may have a material impact on the amount of pension expense recognized in any period.

Under the defined contribution provision of the DATA Group Pension Plan, DATA Group's annual pension expense is based on amounts contributed in respect of eligible employees when they are due.

During the year ended December 31, 2014, DATA Group contributed $2.0 million to the defined benefit provision of the DATA Group Pension Plan, $1.8 million to the defined contribution provision of the DATA Group Pension Plan, $0.6 million to the SERP and $0.7 million to the SRDF. DATA Group expects that, in 2015, contributions to the defined benefit provision of the DATA Group Pension Plan will be approximately $1.3 million, contributions to the defined contribution provision of the DATA Group Pension Plan will be approximately $1.8 million, contributions to the SERP will be approximately $0.6 million and contributions to the SRDF will be approximately $0.7 million.

DATA Group decreased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2014 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumptions remained unchanged at December 31, 2014. The following table summarizes the rates used in fiscal 2014 and 2013 to calculate DATA Group's defined benefit obligations.

**Significant actuarial assumptions adopted in measuring DATA Group's defined benefit plan obligations**

| | **December 31, 2014** | December 31, 2013 |
|---|---|---|
| **DATA Group Pension Plan** | | |
| Discount rate | **4.00%** | 5.00% |
| Rate of compensation increase | **3.00%** | 3.00% |
| **SERP** | | |
| Discount rate | **3.80%** | 4.70% |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Canada. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

| | **December 31, 2014** | December 31, 2013 |
|---|---|---|
| **Retiring at the end of the reporting period:** | | |
| Male | **21.4** | 21.3 |
| Female | **23.9** | 23.5 |
| **Retiring in 25 years after the end of the reporting period:** | | |
| Male | **22.8** | 22.6 |
| Female | **25.1** | 24.4 |

In 2014, the discount rate applied to the defined benefit obligation for the DATA Group Pension Plan and the SERP was decreased to 4.00% and 3.80%, respectively, from 5.00% and 4.70%, respectively, reflecting long-term interest rates at December 31, 2014. The primary impact of these changes was actuarial losses of $8.3 million for the DATA Group Pension Plan and of $0.7 million for the SERP, which were recognized in comprehensive income (loss) for the year ended December 31, 2014.

The sensitivity of the defined benefit obligations to changes in assumptions at December 31, 2014 and at December 31, 2013 are set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

| *(in thousands of Canadian dollars, except percentages, unaudited)* | **December 31, 2014** | | |
|---|---|---|---|
| | **Impact on defined benefit obligations** | | |
| | **Change in assumption** | **Increase in assumption** | **Decrease in assumption** |
| Discount rate | **0.25%** | **$ (2,485)** | **$ 2,632** |
| Salary growth rate | **0.25%** | **682** | **(700)** |
| | | **Increase by 1 year in assumption** | **Decrease by 1 year in assumption** |
| Life expectancy | | **$ 1,667** | **$ (1,706)** |

| *(in thousands of Canadian dollars, except percentages, unaudited)* | December 31, 2013 | | |
|---|---|---|---|
| | Impact on defined benefit obligations | | |
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 0.25% | $ (2,108) | $ 2,221 |
| Salary growth rate | 0.25% | 429 | (450) |
| | | Increase by 1 year in assumption | Decrease by 1 year in assumption |
| Life expectancy | | $ 1,293 | $ (1,342) |

Through its defined benefit plans, DATA Group is exposed to a number of risks, the most significant of which are detailed below:

ASSET VOLATILITY

For a defined benefit pension plan, fluctuations in the value of plan assets are assessed in the context of fluctuations in the plan liabilities. The plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields. As discount rates change, the value of the plan liabilities will fluctuate, if the growth of plan liabilities exceeds that of plan assets a deficit will result. The defined benefit provision of the DATA Group Pension Plan currently holds a small proportion of equities, 14% of total assets, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The defined benefit provision of the DATA Group Pension Plan’s investment time horizon and financial position are key inputs in deciding on the proportion of equities held.

The defined benefit provision of the DATA Group Pension Plan is closed to new membership, which means the investment time horizon is shrinking as the plan matures. Beginning in 2012 and as the plan matured, the defined benefit provision of the DATA Group Pension Plan’s level of investment risk was reduced by lowering the proportion of equities and increasing the proportion of bonds, which are a better match to the plan liabilities. This shift from equities to better matching bonds commenced in 2012 and was expected to conclude in 2026. This period was selected based on analysis of projected pension benefit cash flows.

Through the derisking schedule, the defined benefit provision of the DATA Group Pension Plan lowered its interest rate risk, inflation risk and equity risk. In 2011, the defined benefit provision of the DATA Group Pension Plan had 60% equities and 40% bonds. In 2026, the defined benefit provision of the DATA Group Pension Plan was expected to have 15% equities and 85% bonds. This derisking strategy was reviewed annually to consider the current environment and may be revised at any point in time. In 2014, the derisking strategy was reviewed against the investment time horizon and the financial position of the defined benefit provision of the DATA Group Pension Plan. With a significant improvement in the financial position, the defined benefit provision of DATA Group Pension Plan asset mix was moved to 15% equities and 85% bonds, with the bond portfolio being adopted with liability cash flow matching characteristics.

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

SALARY RISK

The present value of the pension benefit obligations is calculated by reference to the future salaries of plan participants, so salary increases of the plan participants greater than assumed will increase plan liabilities.

LIFE EXPECTANCY

The majority of the plans' obligations provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Each sensitivity analysis disclosed in this report is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

## INCOME TAXES

Management uses its judgment to estimate current and deferred income tax expenses and recoveries. This involves determining taxable income, temporary differences between tax and accounting carrying values and income tax loss carry-forwards.

Current income taxes is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years that are expected to be paid.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured on a non-discounted basis at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are presented as non-current.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized in the foreseeable future. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In the ordinary course of business, DATA Group enters into transactions where the ultimate tax determination may be uncertain. These uncertainties require DATA Group to make estimates of its ultimate tax liabilities and, accordingly, the provision for income taxes. While DATA Group believes these estimates are reasonable and appropriate, additional liabilities may result when uncertain tax positions are resolved or settled at amounts that differ from those estimates. DATA Group, its subsidiary and predecessors may also be reassessed for taxes from time to time. Such reassessments, the impact of which is not expected to be material, together with the associated interest and penalties, could adversely affect DATA Group.

**VALUATION OF ASSETS AND LIABLITES ACQUIRED AND CONSIDERATION TRANSFERRED**

The purchase price of an acquired business is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based upon their respective fair market values, with the excess recorded as goodwill. Such fair market value assessments require judgment and estimates. Adjustments to fair value assessments are recorded to goodwill over the measurement period, not exceeding one year from the date of acquisition.

**USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the period reported. Management must also make estimates and judgments about future results of operations, related specific elements of the business and operations in assessing recoverability of assets and recorded value of liabilities. Significant areas of measurement uncertainty include the determination of the impairment of goodwill and intangible assets which are impacted by estimates of the fair value of CGUs, assumptions of future cash flows, and achieving forecasted business results. These assumptions can be impacted by economic conditions and also require considerable judgment by management. Declines in business results or declines in the fair value of DATA Group's reporting segments could result in impairments in future periods. Changing the assumptions selected by management, in particular the discount rate and growth assumptions used in the cash flow projections, could significantly affect DATA Group's impairment evaluation and hence results.

Other significant areas requiring the use of estimates and assumptions include the determination of the allowance for doubtful accounts, the determination of the reserve for obsolete inventory, the determination of the impairment of property, plant and equipment, the determination of pension obligations, the determination of deferred income tax assets and liabilities and the selection of accounting policies. Actual results could differ from estimates and judgments made by management.

## New accounting policies

*(a) New and amended standards adopted*

DATA Group has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

In October 2012, the IASB issued amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and International Accounting Standards ("IAS") 27 *Separate Financial Statements* to include an exception to the consolidation requirements for investment entities as defined in the amendments issued by the IASB. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. DATA Group assessed its consolidation conclusions on January 1, 2014 and determined that the adoption of these amendments did not result in any change in the consolidation status of any of its subsidiaries.

*(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 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.

## Disclosure controls and procedures and Internal controls over financial reporting

With the supervision and participation of DATA Group’s senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA Group have evaluated the effectiveness of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of DATA Group as of December 31, 2014. Based on that evaluation, those officers have concluded that, as of December 31, 2014, such disclosure controls and procedures were sufficiently effective to provide reasonable assurance that (i) material information relating to DATA Group was made known to management and (ii) information required to be disclosed by DATA Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

With the supervision and participation of DATA Group’s senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA Group have evaluated the effectiveness of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of DATA Group as of December 31, 2014. In making this evaluation, the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework was used to design the internal controls over financial reporting. Based on that evaluation, those officers have concluded that, as of December 31, 2014, such internal controls over financial reporting were sufficiently effective to provide reasonable assurance regarding the reliability of DATA Group’s financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

DATA Group’s management has determined that there were no changes in the internal controls over financial reporting of DATA Group during the year ended December 31, 2014 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 earned net income of $4.5 million or $0.19 per share in the year ended December 31, 2014 versus a loss in the prior year. DATA Group is encouraged by its results in the second half of 2014 as revenues increased by 1.4% and Adjusted EBITDA stabilized compared to the same period in 2013.

During the year , DATA Group reduced its outstanding long-term debt by $6.5 million, bringing its total long-term indebtedness including its 6.00% Convertible Debentures to $90.1 million. During the fourth quarter of 2014, DATA Group extended the term of its senior debt credit facilities to August 31, 2016.

DATA Group's intent in 2014 was to stabilize its revenues and position DATA Group for longer term growth. During 2014, DATA Group had revenues of $313.2 million, a 1.2% decline from 2013. DATA Group's revenues included strong growth from its U.S. customers. During the second half of 2014 overall revenues grew by 1.4% compared to the same period in 2013. DATA Group continues with its plans to;

- Add new sales personnel,
- Win market share in its traditional print business
- Invest in the key growth areas DATA Group has identified; labels, marketing print and digital communications
- Bundling DATA Group's digital services with its print offerings
- Expand its U.S. revenues

In the fourth quarter of 2014, DATA Group made a number of investments in this regard, highlighted by new sales leadership in Western Canada, the creation of a dedicated, new Marketing function and a decision to upgrade its print capability at its new Calgary facility that will come on-line in early 2015.

DATA Group is reducing its costs to balance productive capacity with demand in declining markets while investing selectively in growth areas. When DATA Group started its restructuring process in 2013, it had targets to reduce its manufacturing floor space and reduce its headcount at all levels.

In October 2014, DATA Group announced plans for the consolidation of four existing manufacturing locations in Western Canada into one new, modern print and marketing communications centre located in Calgary, Alberta. DATA Group is on schedule to complete this project by the end of the first quarter of 2015 as originally planned. DATA Group has identified further savings opportunities that it expects to act on in the first half of 2015. These savings will come from the reorganization of several locations, process improvements and strategic sourcing initiatives. Including the previously announced Western Canadian consolidations, DATA Group anticipates annual savings of $9.0 million to $11.0 million as a result of these actions, with associated restructuring charges in first half of 2015 of $5.0 million to $6.0 million. The majority of these actions will take place in the first quarter of 2015.

The Transformation Plan is required because DATA Group's industry has seen wholesale changes over the last number of years, mostly due to rapid technological advances. The competitive environment in which

DATA Group operates has become even more challenging as DATA Group's industry transforms to more digital forms of communications and adapts to new client demands for blended print and digital solutions. DATA Group has responded with a Transformation Plan that establishes clear goals, all of which aim to enhance shareholder value. DATA Group's Transformation Plan is showing results in the three key areas it has targeted; cost reduction, debt reduction and revenue stabilization/growth.

For 2015, DATA Group expects to report higher net income and continued reductions in total long-term indebtedness. To support this, DATA Group's revenue growth and cost reduction strategies will continue. The associated restructuring expenses will be more than offset by efficiency gains. Management of DATA Group has set the following financial targets for 2015:

- Net income of at least $6.0 million;
- Debt reduction of at least $10.0 million;
- Revenues equal to or better than 2014; and,
- Return on shareholders' equity of at least 25% after taxes

## 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.