



ANNUAL REPORT 2016



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ABOUT DATA

DATA IN 2016 SHAPING UP FOR GROWTH

*IN 2016, OUR MAIN
PRIORITY WAS
POSITIONING DATA
FOR GROWTH WITH
THE FOLLOWING
INITIATIVES:*

Financial

REFINANCING OF SENIOR CREDIT FACILITY

DATA refinanced its former senior credit facilities by establishing a revolving credit facility with a Canadian chartered bank and a private term debt provider.

MICHAEL G. SIFTON MAKES SIGNIFICANT PERSONAL INVESTMENT IN DATA

DATA raised \$2.8 million pursuant to a private placement of Common Shares, with Mr. Sifton subscribing for 50% of the offering.

100 TO 1 SHARE CONSOLIDATION

After giving effect to the Share Consolidation, DATA's 1,197,504,525 Common Shares outstanding were consolidated into 11,975,053 Common Shares outstanding.

Operations

CONSOLIDATION OF OPERATIONS

From 2013 to 2017, DATA reduced its facility size by 600,000 square feet. The reduction included the 2016 consolidation of its Alberta operations, in which DATA closed its large Edmonton plant. The consolidation was completed in Q4, on plan and under budget.

SINGLE LARGEST HIGH-PRODUCTION DIGITAL UPGRADES BY A CANADIAN GRAPHIC COMMUNICATIONS COMPANY

DATA upgraded its entire digital print fleet and entered into an exclusive agreement with Xerox for the supply, installation, and maintenance of digital print equipment and workflow software.

INVESTMENT IN DIGITAL PRINT AND LABEL PRODUCTION

In January 2017, DATA announced a \$2.1 million investment in digital print and digital label equipment. This investment included the addition of another Xerox iGen® 5 digital press and a new digital label press, together with other upgrades and technology enhancements to current label presses.

Client Focus

KNOWLEDGEABLE SALES FORCE

DATA realigned its Sales team, designating account executives as knowledge experts who specialize in key industry verticals of Financial Services, Retail, Healthcare, Not-for-Profit, Energy, and Lottery & Gaming. This is part of an ongoing effort to better align DATA's services with client needs.

Strengthened Leadership

CHANGES TO BOARD OF DIRECTORS

Mr. Sifton re-joined the Board; J.R Kingsley Ward was appointed Chair; and Gregory J. Cochrane was appointed Director of DATA. Derek J. Watchorn and James J. Murray, O.Ont., SIOR, were also added to the Board.

TALENTED NEW HIRES

While DATA reduced its overall employee count, 50+ key hires were also added. One of those was Gregory J. Cochrane, who was appointed President of DATA, and assumed certain responsibilities previously performed by Mr. Sifton as CEO and President. Mr. Cochrane's primary focus is sales and business development. Mr. Sifton is focussed on strategic initiatives.

Strategic Acquisitions

In early 2017, DATA acquired two leading commercial printing companies: Eclipse Colour and Imaging Corp. and Thistle Printing Limited. Eclipse is one of Canada's preeminent large-format printers and Thistle is a well-established Toronto area commercial printer. The addition of these two operations brings our centres of excellence to seven.

LETTER TO SHAREHOLDERS

DEAR FELLOW SHAREHOLDERS,

It was a busy year at DATA. While we made significant progress in our operating efficiencies and developed our strategy for growth, we fell short on our revenue and EBITDA targets.

After reporting strong financial results in the third and fourth quarter of 2015, and then again in the first and second quarter of 2016, we suffered revenue and consequently profitability setbacks in the third and fourth quarter of 2016.

I am disappointed in our financial results. With the efforts our team undertook in 2016, I expected our financial results to be stronger. However, that was not the case as several market and external factors affected our financial performance. Nonetheless, we believe that the progress made and the initiatives completed have positioned DATA for success in 2017.

Operationally, we made significant improvements in our production capabilities and facilities. With the closure of our large Edmonton, Alberta facility, DATA ended 2016 with five major centres of excellence strategically located across the country, augmented by several smaller warehouses to meet our clients' national needs. By focusing on these five centres, DATA has reduced its total production facilities by over 600,000 square feet in the last three years. In this timeframe, DATA's total workforce has also been reduced by more than 400 employees.

On the sales front, DATA continued to face headwinds from both lower demand from our clients and pricing

pressures, particularly in business forms. Sales were also adversely affected by a weaker economy in Western Canada and the threat of a work stoppage at Canada Post, which significantly reduced demand for mail-stream products, such as direct mail and printed statement roll products. This was particularly the case in the second half of the year.

Despite the difficult environment, we at DATA have continued to build our sales leadership, go-to-market strategies, and vertical market focus. Our technology team has focused on enhancing our network capabilities, streamlining our employee and systems work flow, and advancing our ERP project, which will provide us with the latest in fully integrated, cloud-based architecture for our financial, manufacturing and web-to-print systems.

At the same time, we have made significant progress in developing an acquisition strategy to leverage our core capabilities and diversify our business from the secular declines in the print segments which we have been experiencing. We recently announced the acquisitions of Eclipse Colour and Imaging Corp., one of Canada's pre-eminent large format and point-of sale printers, and Thistle Printing Limited, a well-established Toronto, Ontario area commercial printer.

We believe that the collective capabilities of Eclipse and Thistle position us well to capitalize on growth opportunities that we have identified in the retail and enterprise markets, including applications such as wide format print, in-store signage, point-of sale packaging and commercial print. Given the

highly fragmented nature of the Canadian print and marketing communications market, we believe there are significant other strategic acquisitions available to us at attractive prices that could help us further diversify our business from the declines we have been experiencing. The addition of these two operations brings our centres of excellence to seven.

As DATA is transitioning, we needed to evolve our capital structure to allow for stability and growth. In March 2016, we refinanced our senior credit facilities to better support our business. In January 2017, we amended those senior credit facilities. DATA entered into an amended senior revolving credit facility with a Canadian chartered bank, including an increase in the total available commitment under that facility from \$25.0 million to up to \$35.0 million and the extension of the term of this facility by one year to March 31, 2020 from March 11, 2019. We also completed an amendment to our term facility, which provides DATA with a total borrowing base of up to \$72.0 million from \$50.0 million. We are pleased to have stable, long-term financial partners.

As with any transformation, leadership is essential. While we have reduced our overall employee count, we also added leadership strength through key hires across the entire organization. The one addition I would like to highlight is the appointment of Gregory J. Cochrane as President. I am confident Greg will help me lead the organization through its next stages of development. He has tremendous experience in the marketing communications and services industries, with extensive industry knowledge and C-suite client relationships.

I'd also like to commend our team for simultaneously closing the strategic acquisitions of Eclipse and Thistle – our first acquisitions in many years – along with our increased credit facility to fund the transactions. We believe we are well positioned to execute on additional acquisitions in our pipeline and that DATA has laid the groundwork to strategically evolve, be better positioned to meet client needs and become more profitable.

Thank you for your continued support as we reshape our business. I look forward to reporting back on our progress. For a full description of our financial results for the fourth quarter and full year financial results for 2016, please refer to our audited consolidated financial statements for the year ended December 31, 2016 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Sincerely,

Signed: Michael G. Sifton

Michael G. Sifton

Chief Executive Officer

DATA Communications Management Corp.

March 2017



ABOUT DATA COMMUNICATIONS MANAGEMENT

At DATA, we are experts at planning and driving business communications. We help marketers and agencies unify and execute communications campaigns across multiple channels, and we help operations teams streamline and automate document and communications management processes. Our core capabilities include direct marketing, print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, DATA management and analytics, and regulatory communications. We serve clients in key vertical markets such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy. We are strategically located across Canada to support clients on a national basis, and serve the U.S. market through our facilities in Chicago, Illinois.



Commercial Printing

STREAMLINE PRINT PRODUCTION

From large national marketing programs to personalized sales kits and HR material, we have the resources and expertise you can depend on.

- PROCESS IMPROVEMENT
- PRINT-ON-DEMAND
- WEB-TO-PRINT
- COMMERCIAL PRINT
- WIDE-FORMAT PRINT SERVICES
- VARIABLE COMPOSITION TECHNOLOGY



Direct Marketing

EXPAND YOUR REACH

One campaign — or your entire DM program. Bring us your requirements and we'll take it from there.

- DIRECT MAIL
- EMAIL
- VARIABLE PRINT / PERSONALIZATION
- DATA MANAGEMENT



Labels and Asset Tracking

MANAGE AND TRACK THE FULL SUPPLY CHAIN

First point of in-store contact. Full supply-chain tracking. Either way, labelling solutions are about a lot more than labels.

- BARCODES & RFID
- VARIABLE IMAGING
- BRAND PROTECTION & SECURITY
- AUTOMATED ID SOLUTIONS
- PRIMARY LABELS
- HARDWARE



Event Tickets and Gift Cards

STRENGTHEN CUSTOMER RELATIONSHIPS

Event tickets and gift cards are powerful communicators and motivators. Trust DATA to securely handle all aspects of creative and production.

- EVENT TICKETS
- GIFT AND LOYALTY CARDS



CONTENT AND WORKFLOW MANAGEMENT

SPEED UP DOCUMENT APPROVALS

We deliver tools and processes that make your business and marketing communications work better.

- MARKETING CAMPAIGN MANAGEMENT
- RETAIL CAMPAIGN MANAGEMENT
- PRINT-ON-DEMAND
- VARIABLE COMPOSITION
- E-FORMS & E-PRESENTMENT
- DIGITAL ASSET MANAGEMENT



Logistics and Fulfillment

ENSURE SAFE STORAGE AND
RELIABLE DELIVERY

Communication impact has a lot to do with presentation and timing. We get it—and we get it there on time.

- INVENTORY MANAGEMENT & IMPROVEMENT
- DISTRIBUTION & FULFILLMENT



Data Management and Analytics

GAIN VALUABLE CUSTOMER INSIGHTS

Target customers. Inform operational decision-making.
Optimize your spend.

- DATA MANAGEMENT
- DATA ANALYTICS
- PROCESS IMPROVEMENT



Regulatory Communications

STREAMLINE REGULATORY
COMMUNICATIONS MANAGEMENT

In markets where there's a lot of change and very little room for error, we've got your back.

MANAGEMENT REPORTS

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

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM.TO) and its subsidiaries (referred to herein as "DATA" or the "Company") for the years ended December 31, 2016 and 2015. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of DATA for the years ended December 31, 2016 and 2015. Additional information about the Company, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of March 9, 2017.

Basis of presentation

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

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

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown

risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DATA, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DATA's current views regarding future events and operating performance, are based on information currently available to DATA, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DATA to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DATA made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DATA's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DATA which are related to reduced demand for its printed products will adversely affect DATA's financial results; the risk that DATA may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, repaying or refinancing its outstanding 6.00% convertible unsecured subordinated debentures, and growing its digital communications business; the risk that DATA may not be successful in managing its organic growth; DATA's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom

have greater economic resources than DATA and are well-established suppliers; DATA's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DATA's businesses; risks associated with acquisitions by DATA; the failure to realize the expected benefits from acquisitions and risks associated with the integration of acquired businesses; increases in the costs of paper and other raw materials used by DATA; and DATA's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the headings "Risk Factors" and "Risks and Uncertainties" in DATA's publicly available disclosure documents, as filed by DATA on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DATA does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, acquisition costs and the tax effects of those items.

Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of common shares (basic and diluted) outstanding during the period. Pro forma Adjusted net income (loss) per share (basic and diluted) assumes that Adjusted net income (loss) per share was calculated on the basis of the total number of common shares outstanding at December 31, 2016, rather than the weighted average or the weighted average diluted number of common shares outstanding at the respective period ends, given the significant changes in the number of common shares of DATA outstanding during those periods. DATA believes that, in addition to net income (loss), Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA. Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, Pro forma Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

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

Business of DATA

OVERVIEW

DATA is a leading provider of business communication solutions, bringing value and collaboration to marketing and operations teams in companies across North America. DATA helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications processes. DATA is strategically located across Canada, including seven centres of excellence to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois.

DATA derives its revenues from the following core capabilities: direct marketing, commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. The Company serves clients in key vertical markets such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy.

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

DATA's revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DATA's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

DATA has approximately 1,250 employees in Canada and the United States, and revenues of \$278.4 million in 2016. Website: www.datacm.com.

FOURTH QUARTER EVENTS

As part of the Company's ongoing initiatives to reduce its cost of operations, DATA completed the closure of its large Edmonton, Alberta manufacturing facility, in addition to headcount reductions across various functions within the business, during the fourth quarter of 2016. Total restructuring costs related to these initiatives, primarily pertaining to headcount reductions, were \$1.7 million. Other one-time business reorganization costs totaling approximately \$1.0 million related to the relocation of machinery and equipment from the large Edmonton, Alberta facility to other plants, employee hiring, training and relocation costs and certain raw material inventory write-offs were also incurred during the fourth quarter. Total cost savings from these restructuring initiatives are expected to be \$5.2 million on an annualized basis. DATA downsized significantly in Edmonton, Alberta to a 10,000 square foot sales, customer experience and high-volume digital print production facility in order to strategically serve the local market.

On November 28, 2016, Gregory J. Cochrane was appointed as President of DATA. In his new role, Mr. Cochrane assumed certain responsibilities previously performed by Michael G. Sifton as Chief Executive Officer ("CEO") and President, with a focus on sales and business development. Mr. Sifton remains as CEO of DATA with a focus on financial and strategic initiatives. Mr. Cochrane brings a diverse business background, with particular recognition of his leadership in the communication and marketing services arena. His addition to the senior leadership team is expected to help the Company generate sales through organic growth and future acquisitions.

SUBSEQUENT EVENTS

On February 22, 2017 (the "Closing Date"), DATA completed the acquisition (the "Eclipse Acquisition") of substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse") and the acquisition (the "Thistle Acquisition") of all of the shares of Thistle Printing Limited ("Thistle").

ECLIPSE ACQUISITION

Eclipse is a leading Canadian large-format and point-of-purchase printing and packaging company, with approximately 100 employees operating in an 80,000 square foot facility located in Burlington, Ontario. The acquisition of Eclipse adds significantly expanded wide format, large format, and grand format printing capabilities to DATA's portfolio of products and services, with Eclipse having a product mix focused on in-store print, outdoor, transit, display, packaging, kitting and fulfilment capabilities. DATA intends to relocate its current wide format capabilities from its Ambassador Road, Mississauga, Ontario facility to Calgary, Alberta. The combined wide format printing, distribution and fulfilment capabilities of Eclipse and DATA will provide a unique national offering in the market to better serve the combined businesses' customer base. Eclipse generated approximately \$21.3 million in revenues (unaudited) for its fiscal year ended November 30, 2016, and, over the past three years, has experienced average revenue growth rates of approximately 10% per year.

Under the terms of the Eclipse Acquisition, DATA acquired from Eclipse substantially all of the assets of Eclipse for a net purchase price of approximately \$9.4 million. The purchase price was satisfied as follows: \$3.5 million in cash, \$1.3 million through the issuance of 634,263 Common Shares of DATA, and \$4.6 million through the issuance of a secured, non-interest bearing vendor take-back promissory note, which is payable in two equal instalments on each of the first and second anniversaries of the Closing Date. The purchase price is subject to customary post-closing working capital and other adjustments.

THISTLE ACQUISITION

Thistle is a full service commercial printing company with approximately 65 employees operating in a 42,000 square foot facility located in Toronto, Ontario. The acquisition of Thistle provides DATA with a full service commercial print facility in Eastern Canada and enables DATA to expand its margins by insourcing commercial printing

capabilities which it has historically outsourced to local tier two suppliers. This acquisition adds expertise in commercial printing, design, prepress and bindery services to DATA's portfolio, and complements DATA's current capabilities in direct mail, fulfilment and data management. Thistle generated approximately \$16.4 million in revenues (audited) for its fiscal year ended October 31, 2016.

Under the terms of the Thistle Acquisition, DATA acquired all of the outstanding common shares of Thistle from Capri Media Group Inc. ("Capri"). Companies controlled by the Chair of the Board of Directors (the "Board") and the President of DATA, respectively, control Capri. As a result, Capri is a related party of DATA for purposes of IFRS. See "Transactions with related parties" section below for further details related to the determination of a fair purchase price for the Thistle Acquisition.

Thistle was acquired for a net purchase price of approximately \$6.1 million. The purchase price was satisfied as follows: \$1.1 million in cash, \$1.5 million through the issuance of 644,445 Common Shares of DATA, and \$3.5 million in the form of a secured, non-interest bearing vendor take-back promissory note, which is payable in 24 equal monthly payments following the Closing Date. The purchase price is subject to customary post-closing working capital and other adjustments. The purchase price was measured at the exchange amount, which represents the amount of consideration established and agreed to by the related parties.

In aggregate, a total of 1,278,708 Common Shares of DATA were issued to the vendors of Eclipse and Thistle and the number of DATA's issued and outstanding common shares increased from 11,975,053 to 13,253,761.

INCREASE IN SENIOR CREDIT FACILITIES AND AMENDMENT TO EXISTING TERMS

In connection with the Eclipse and Thistle acquisitions, on January 31, 2017, DATA amended its senior revolving credit facility with a Canadian chartered bank, including an increase in the total

available commitment from up to \$25.0 million to up to \$35.0 million and the extension of the term by one year, to March 31, 2020. The amount available under the sub-facility was increased to \$7.0 million, an increase from \$5.0 million under the original sub-facility. The increased availability was partially used to finance the up-front cash components and related transaction costs of the Eclipse and Thistle acquisitions and will also provide DATA with additional flexibility to continue to pursue its strategic growth objectives.

On January 31, 2017, DATA also amended its term loan facility with Integrated Private Debt Fund IV ("IAM IV"), which, among other things, provides senior funded debt of DATA may not exceed \$72.0 million (after giving effect to the provisions of the inter-creditor agreement), an increase from \$50.0 million in the original term loan facility dated March 10, 2016.

See "Liquidity and capital resources" section below for more details on changes to these senior credit facilities, assumed indebtedness of Eclipse and Thistle and the provisions of the new inter-creditor agreement.

FURTHER PROCESS IMPROVEMENTS

DATA commenced 2017 with some additional restructuring as a part of its ongoing effort to reduce costs, become more agile and build a best-in-class process. On January 31, 2017, DATA announced a process realignment of its operations, which DATA anticipates will result in estimated cost savings of \$2.4 million on an annualized basis. In connection with these improvements, DATA will incur a total of approximately \$1.8 million in severance expenses in 2017. This restructuring primarily involves a reduction of DATA's indirect labour force across its operations, which is designed to streamline DATA's order-to-production process. This process re-design and automation is expected to improve manufacturing processes from DATA's on-line web-to-print ordering system, directly to digital production.

REVENUE RECOGNITION POLICY

DATA recognizes revenue from the sale of products upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs and the risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. Since the majority of DATA's products are customized, product returns are not significant. DATA may provide pre-production services to its customers; however, these services do not have standalone value and there is no objective and reliable evidence of their fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA recognizes warehousing, administration and marketing service fees when the services are provided, the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA and the costs associated with these services can be reliably measured. DATA occasionally provides warehousing services that are negotiated as a separate charge based on market rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing, administration and marketing service fees are included in one overall selling price of DATA's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

DATA's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DATA's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DATA's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DATA's facilities, utilities, insurance and building

maintenance. DATA's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other personnel related expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

DATA has incurred restructuring expenses in each of the last three fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures.

Selected consolidated financial information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information for each of Fiscal 2016, Fiscal 2015 and Fiscal 2014 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

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

For the years ended December 31, 2016, 2015 and 2014 (in thousands of Canadian dollars, except share and per share amounts, unaudited)	January 1 to December 31, 2016	January 1 to December 31, 2015	January 1 to December 31, 2014
Revenues	\$ 278,363	\$ 304,575	\$ 313,175
Cost of revenues	215,295	233,505	238,563
Gross profit	63,068	71,070	74,612
Selling, general and administrative expenses	55,934	56,663	58,990
Restructuring expenses	4,200	13,560	2,804
Impairment of goodwill	31,066	26,000	—
Gain on redemption of convertible debentures	—	(12,766)	—
Gain on cancellation of convertible debentures	—	—	(103)
Acquisition costs	68	—	—
	91,268	83,457	61,691
(Loss) income before finance costs and income taxes	(28,200)	(12,387)	12,921
Finance costs (income)			
Interest expense	3,414	5,599	6,124
Interest income	(8)	(11)	(21)
Amortization of transaction costs	578	468	591
	3,984	6,056	6,694
(Loss) income before income taxes	(32,184)	(18,443)	6,227
Income tax (recovery) expense			
Current	1,572	1,191	69
Deferred	(1,649)	(462)	1,679
	(77)	729	1,748
Net (loss) income for the year	\$ (32,107)	\$ (19,172)	\$ 4,479
Basic (loss) earnings per share	\$ (2.89)	\$ (40.33)	\$ 19.07
Diluted (loss) earnings per share	\$ (2.89)	\$ (40.33)	\$ 19.07
Weighted average number of common shares outstanding, basic	11,125,518	475,382	234,906
Weighted average number of common shares outstanding, diluted	11,125,518	475,382	234,906
As at December 31, 2016, 2015 and 2014 (in thousands of Canadian dollars, unaudited)	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
Current assets	\$ 68,620	\$ 80,125	\$ 83,619
Current liabilities	58,473	90,298	46,176
Total assets	90,910	134,067	164,977
Total non-current liabilities	42,372	24,750	100,388
Shareholders' equity (deficit)	\$ (9,935)	\$ 19,019	\$ 18,413

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

For the years ended December 31, 2016, 2015 and 2014 (in thousands of Canadian dollars, except percentage amounts, unaudited)	January 1 to December 31, 2016	January 1 to December 31, 2015	January 1 to December 31, 2014
Revenues	\$ 278,363	\$ 304,575	\$ 313,175
Gross profit	\$ 63,068	\$ 71,070	\$ 74,612
Gross profit, as a percentage of revenues	22.7 %	23.3 %	23.8 %
Selling, general and administrative expenses	\$ 55,934	\$ 56,663	\$ 58,990
As a percentage of revenues	20.1 %	18.6 %	18.8 %
Adjusted EBITDA (see Table 3)	\$ 14,381	\$ 21,110	\$ 22,478
Adjusted EBITDA, as a percentage of revenues	5.2 %	6.9 %	7.2 %
Net (loss) income for the year	\$ (32,107)	\$ (19,172)	\$ 4,479
Adjusted net income (see Table 4)	\$ 2,944	\$ 5,764	\$ 6,487
Adjusted net income, as a percentage of revenues	1.1 %	1.9 %	2.1 %

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

EBITDA AND ADJUSTED EBITDA RECONCILIATION

For the years ended December 31, 2016, 2015 and 2014 (in thousands of Canadian dollars, unaudited)	January 1 to December 31, 2016	January 1 to December 31, 2015	January 1 to December 31, 2014
Net (loss) income for the year	\$ (32,107)	\$ (19,172)	\$ 4,479
Interest expense	3,414	5,599	6,124
Interest income	(8)	(11)	(21)
Amortization of transaction costs	578	468	591
Current income tax expense	1,572	1,191	69
Deferred income tax (recovery) expense	(1,649)	(462)	1,679
Depreciation of property, plant and equipment	4,052	4,754	4,940
Amortization of intangible assets	2,092	1,949	1,916
EBITDA	\$ (22,056)	\$ (5,684)	\$ 19,777
Restructuring expenses	4,200	13,560	2,804
One-time business reorganization costs	1,103	—	—
Impairment of goodwill	31,066	26,000	—
Gain on redemption of convertible debentures	—	(12,766)	—
Gain on cancellation of convertible debentures	—	—	(103)
Acquisition costs	68	—	—
Adjusted EBITDA	\$ 14,381	\$ 21,110	\$ 22,478

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

ADJUSTED NET INCOME RECONCILIATION

For the years ended December 31, 2016, 2015 and 2014 (in thousands of Canadian dollars, except share and per share amounts, unaudited)	January 1 to December 31, 2016	January 1 to December 31, 2015	January 1 to December 31, 2014
Net (loss) income for the year	\$ (32,107)	\$ (19,172)	\$ 4,479
Restructuring expenses	4,200	13,560	2,804
One-time business reorganization costs	1,103	—	—
Impairment of goodwill	31,066	26,000	—
Gain on redemption of convertible debentures	—	(12,766)	—
Gain on cancellation of convertible debentures	—	—	(103)
Acquisition costs	68	—	—
Tax effect of the above adjustments	(1,386)	(1,858)	(693)
Adjusted net income	\$ 2,944	\$ 5,764	\$ 6,487
Adjusted net income per share, basic	\$ 0.26	\$ 12.12	\$ 27.62
Adjusted net income per share, diluted	\$ 0.26	\$ 12.12	\$ 27.62
Pro forma Adjusted net income per share, basic ⁽¹⁾	\$ 0.25	\$ 0.48	\$ 0.54
Pro forma Adjusted net income per share, diluted ⁽¹⁾	\$ 0.24	\$ 0.46	\$ 0.52
Weighted average number of common shares outstanding, basic	11,125,518	475,382	234,906
Weighted average number of common shares outstanding, diluted	11,380,858	475,382	234,906
Number of common shares outstanding, basic	11,975,053	9,987,528	234,906
Number of common shares outstanding, diluted	12,464,343	9,987,528	234,906

(1) Pro forma Adjusted net income per share, basic and pro forma Adjusted net income per share, diluted, are non-IFRS measures: assumes Adjusted net income per share, basic and diluted, were calculated on the basis of the total number of Common Shares outstanding of 11,975,053 and of 12,464,343, respectively at December 31, 2016, rather than the weighted average, basic and diluted, number of Common Shares outstanding at the respective period ends, given the significant changes in the number of Common Shares outstanding during comparable periods.

Results of operations

The chief executive officer ("CEO") of DATA is the chief operating decision-maker ("CODM"). Management has determined that there is one operating segment based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. As a result of the organizational and operational changes implemented by DATA in 2015, DATA's operations are increasingly integrated,

interdependent and less focused on serving separate distribution channels and therefore, DATA's former Multiple Pakfold operating segment has been included in one consolidated operating segment commencing in the quarter ended December 31, 2015.

REVENUES

For the year ended December 31, 2016, DATA recorded revenues of \$278.4 million, a decrease of \$26.2 million or 8.6% compared with the same period in 2015.

The decrease in revenues for the year ended December 31, 2016 was primarily due to lower volumes and pricing pressures from certain customers that reduced their overall spend during the year, with some shift to digital advertising. Other contributors included: (i) the threatened Canada Post labour disruption, which reduced demand for work destined directly or indirectly for the mail stream, (ii) approximately \$5.1 million of non-recurring work related to labels and forms, from a major retailer and certain government agencies, respectively, in 2015, (iii) a weaker economy in Western Canada, (iv) disruption caused by the closure of the large Edmonton, Alberta manufacturing facility and reassignment of contracts to other plants, and (v) training of the sales force to transition to DATA's new business structure, which is now more vertical market focused. The aforementioned reasons impacted the normal course of DATA's business and more than offset the growth in revenues from new customers during the year resulting in the overall reduction in revenue.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2016, cost of revenues decreased to \$215.3 million from \$233.5 million for the same period in 2015. Gross profit for the year ended December 31, 2016 was \$63.1 million, which represented a decrease of \$8.0 million or 11.3% from \$71.1 million for the same period in 2015. Gross profit as a percentage of revenues decreased to 22.7% for the year ended December 31, 2016 compared to 23.3% for the same period in 2015. The decrease in gross profit as a percentage of revenues for the year ended December 31, 2016 was due to the decrease in revenues (as noted above), changes in product mix, one-time business reorganization costs incurred and compressed margins on recently negotiated large contracts with certain existing customers. The decrease in gross profit as a percentage of revenues was partially offset by cost reductions realized from prior cost savings initiatives implemented in 2015.

One-time business reorganization costs, which did not qualify as restructuring costs in accordance with IFRS,

of \$0.9 million related to the closure of DATA's large Edmonton, Alberta manufacturing facility included costs to: (i) relocate machinery and equipment, along with inventory, to other plants, (ii) hire, train and relocate employees required to operate the machinery and equipment that was relocated to other plants and (iii) certain raw material inventory write-offs. In addition, DATA's prior lease agreement for its manufacturing facility in Drummondville, Québec had a favourable buy out option. During the year ended December 31, 2016, this buy out option was exercised by another party with whom DATA entered into a new lease agreement. DATA incurred one-time costs of \$0.2 million related to the termination of the prior lease agreement.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2016 decreased \$0.7 million or 1.3% to \$55.9 million compared to \$56.7 million for the same period of 2015. As a percentage of revenues, these costs were 20.1% and 18.6% of revenues for the years ended December 31, 2016 and 2015, respectively. The decrease in SG&A expenses for the year ended December 31, 2016 was primarily attributable to cost savings initiatives implemented in 2015, including headcount reductions across sales, general and administration functions, and was partially offset by higher SG&A expenses related to share-based compensation expense, increased marketing expenses, costs related to DATA's development of an Enterprise Resource Planning ("ERP") system and additional corporate costs related to changes in DATA's Board in the second quarter of 2016, the change in DATA's legal name on July 4, 2016 and the Share Consolidation.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies has been an area of focus for DATA over the past three years in order to improve margins and better align costs with the declining revenues experienced by the Company, a trend that has been faced by the industry for several years now.

For the year ended December 31, 2016, DATA incurred restructuring expenses of \$4.2 million. Throughout the year, a number of strategic headcount reductions were made across several functions of the business resulting in \$2.1 million of restructuring costs. Additionally, in the third quarter of 2016, DATA closed its Richmond Hill, Ontario location. In order to exit the lease for this facility there were approximately \$0.4 million in restructuring charges that were incurred. Further, during the fourth quarter of 2016, DATA completed the closure of its large Edmonton, Alberta manufacturing facility and condensed this location significantly to a 10,000 square foot sales, customer experience and high-volume digital print production facility in order to strategically serve the local market. Machinery and equipment was relocated from the large Edmonton, Alberta facility to other DATA locations. This resulted in the reduction of significant labour and overhead costs for the Company going forward. Total restructuring costs relating to the large Edmonton, Alberta manufacturing facility closure, primarily pertaining to headcount reductions, were approximately \$1.7 million. DATA anticipates these restructuring initiatives will generate total cost savings of \$5.2 million on an annualized basis.

For the year ended December 31, 2015, DATA incurred restructuring expenses of \$13.6 million comprised of (i) \$11.2 million of restructuring expenses due to changes in senior management, headcount reductions across DATA's operations and the closure of certain manufacturing and warehouse locations, and (ii) a charge to onerous contracts of \$2.3 million for lease exit charges for a warehouse that was closed in Brampton, Ontario and the closure of other facilities in Calgary, Alberta and Vancouver, British Columbia.

DATA will continue to evaluate its operating costs for further efficiencies as part of its commitment to making its business more agile, focused, optimized and unified.

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2016, DATA performed its annual review of impairment of goodwill by comparing the fair value of each cash generating unit ("CGU") to

the CGU's carrying value. The recoverable amounts of all CGU's were determined based on their respective fair value less cost to sell. DATA used the income approach to estimate the recoverable value of each CGU which is predicated on the value of the future cash flows that a business will generate going forward and converting them into a present value through discounting.

Discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. Revenue growth rates and operating margins were based on the 2017 budget approved by the Board and projected over a five-year period. These forecasts were adjusted downwards given the declining operating results experienced by DATA in the past, current economic conditions and the specific trends of the printing industry including continued reductions in spending by customers. Accordingly, a weighted average declining growth rate based on a range of 1% to 3% was applied to revenue and a perpetual long-term growth rate of 0% thereafter were used to derive the recoverable amount of its CGU's. As a result, DATA concluded that the fair value of its DATA CM CGU was less than its carrying value and accordingly, recorded a non-cash impairment of goodwill for \$31.1 million. There was no further goodwill remaining as at December 31, 2016.

During the fourth quarter of 2015, DATA performed its annual review of impairment of goodwill. As a result of that review, DATA concluded that no further goodwill impairment charges were required at that time. However, earlier in the year, during the second quarter of 2015, impairment indicators, including changes in revenue trends and profit forecasts and the failure to meet certain financial covenants under its credit facilities, indicated that DATA's assets may be impaired. As a result of this information, DATA performed an impairment analysis at June 30, 2015 and concluded that the fair value of its DATA CM CGU was less than its carrying value. Accordingly, DATA recorded a non-cash impairment of goodwill for \$26.0 million during the three month period ended June 30, 2015.

These non-cash impairment charges had no impact on DATA's cash flow or compliance with debt covenants.

GAIN ON REDEMPTION OF CONVERTIBLE DEBENTURES

During the year ended December 31, 2015, DATA redeemed \$33.5 million aggregate principal amount of its \$44.7 million outstanding 6.00% Convertible Debentures on December 23, 2015 (the "Redemption Date"). DATA elected to satisfy its redemption payment obligation by issuing and delivering Common Shares to the holders of the 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"), in lieu of cash. On redemption, holders of the 6.00% Convertible Debentures redeemed received: (i) a number of Common Shares equal to the principal amount of 6.00% Convertible Debentures redeemed on the Redemption Date divided by 95% of the volume-weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ended on December 16, 2015, and (ii) a cash payment equal to accrued and unpaid interest on the 6.00% Convertible Debentures redeemed up to but excluding the Redemption Date, less any applicable withholding taxes. On the Redemption Date, DATA issued a total of 975,262,140 Common Shares (or 9,752,622 post-consolidation Common Shares), which, based on the formula described above, was calculated using a pre-share consolidation volume-weighted average trading price of \$0.03619 per share. Under IFRS, the Common Shares issued were determined to have a fair value on the Redemption Date of \$0.02 per share on a pre-share consolidation basis. Common Shares having a fair value of \$19.5 million for purposes of IFRS were issued to satisfy the redemption price of the 6.00% Convertible Debentures redeemed on the Redemption Date, which had a carrying value of \$32.7 million on that date. This resulted in a gain on redemption of convertible debentures of \$13.2 million for purposes of IFRS. Transaction costs of \$0.4 million were incurred to execute the redemption and have been netted against the gain on redemption of convertible debentures.

ADJUSTED EBITDA

For the year ended December 31, 2016, Adjusted EBITDA was \$14.4 million, or 5.2% of revenues, after adjusting EBITDA for the non-cash impairment of goodwill of \$31.1 million, removing \$4.2 million in restructuring charges and adding back \$1.1 million related to one-time business reorganization costs. Adjusted EBITDA for the year ended December 31, 2016 decreased \$6.7 million or 31.9% from the same period in the prior year and Adjusted EBITDA margin for the period, as a percentage of revenues, decreased from 6.9% of revenues in 2015 to 5.2% of revenues in 2016. The decrease in Adjusted EBITDA for the year ended December 31, 2016 was attributable to lower levels of revenue and gross profit which was partially offset by lower SG&A expenses compared to the prior comparable period.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DATA's credit facilities, on its outstanding 6.00% Convertible Debentures, on certain unfavourable lease obligations related to closed facilities and on DATA's employee benefit plans, was \$3.4 million for the year ended December 31, 2016 compared to \$5.6 million for the same period in 2015. Interest expense for the year ended December 31, 2016 was lower than the same period in the prior year primarily due to reductions in the aggregate principal amount of outstanding 6.00% Convertible Debentures and debt outstanding under DATA's credit facilities.

INCOME TAXES

DATA reported a loss before income taxes of \$32.2 million, a current income tax expense of \$1.6 million and a deferred income tax recovery of \$1.6 million for the year ended December 31, 2016 compared to a loss before income taxes of \$18.4 million, a current income tax expense of \$1.2 million and a deferred income tax recovery of \$0.5 million for the year ended December 31, 2015. The current income tax expense was due to the taxes payable on DATA's estimated taxable income for the years ended December 31, 2016 and 2015, respectively.

In addition, the current tax expense for the year ended December 31, 2016 includes a recovery of taxes paid in a prior period offset by a reclassification from deferred taxes related to an adjustment of a tax filing in the prior year. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the years ended December 31, 2016 and 2015, respectively, offset by a reclassification to current income taxes related to an adjustment of a tax filing in the prior year.

NET LOSS

Net loss for the year ended December 31, 2016 was \$32.1 million compared to a net loss of \$19.2 million for the same period in 2015. The decrease in comparable profitability for the year ended December 31, 2016 was primarily due to a larger non-cash impairment of goodwill, lower revenue, and larger deferred income tax recovery during the year ended December 31, 2016. The decrease was partially offset by lower restructuring charges and interest expenses, combined with a larger current income tax expense during the year ended December 31, 2016. During the year ended December 31, 2015, the net loss included a non-cash gain on redemption of convertible debentures which did not recur in 2016, along with a non-cash impairment of goodwill totaling \$26.0 million.

ADJUSTED NET INCOME

Adjusted net income for the year ended December 31, 2016 was \$2.9 million compared to Adjusted net income of \$5.8 million for the same period in 2015. The decrease in comparable profitability for the year ended December 31, 2016 was attributable to lower revenues, which was partially offset by lower SG&A expenses and interest expenses in 2016.

Liquidity and capital resources

LIQUIDITY

DATA maintains a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank

(the "Bank") and an amortizing term loan facility (the "IAM IV Credit Facility") with IAM IV, a loan managed by Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DATA and the Bank (the "Bank Credit Agreement") and IAM (the "IAM IV Credit Agreement"), respectively. As at December 31, 2016, DATA had outstanding borrowings of \$10.4 million and letters of credit granted of \$1.1 million under the Bank Credit Facility, and outstanding borrowings of \$25.6 million under the IAM IV Credit Facility. Under the Bank Credit Facility, DATA had access to \$8.9 million of available credit at December 31, 2016.

On January 31, 2017, DATA amended the respective terms of the Bank Credit Agreement and the IAM IV Credit Agreement in connection with the acquisitions of Eclipse and Thistle. In addition, Thistle is a party to a credit agreement (the "IAM III Credit Agreement" and, together with the IAM IV Credit Agreement, the "IAM Credit Agreements") with Integrated Private Debt Fund III LP ("IAM III"), another loan managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the "IAM III Credit Facility") in the principal amount of \$8.0 million. Upon closing of the Thistle Acquisition, DATA became a co-borrower under the IAM III Credit Agreement and Thistle's covenants under that credit agreement were amended on a basis consistent with DATA's covenants under the IAM IV Credit Agreement and will be determined with reference to DATA and its affiliates on a consolidated basis. The principal amount of the IAM III Credit Facility amortizes in equal monthly payments over an 8 year term ending on October 15, 2022. The IAM III Credit Facility bears interest at a fixed rate of 6.1% per annum. As of February 22, 2017, Thistle had outstanding borrowings of \$5.5 million under the IAM III Credit Facility.

The amendments to the terms of the Bank Credit Agreement included an increase in the total available commitment from up to \$25.0 million to up to \$35.0 million and the extension of the term of the Bank Credit Facility by one year, to March 31, 2020. The amount available under the term portion of the

Bank Credit Facility (the “Bank Term Facility”) was increased from \$5.0 million to \$7.0 million. The Bank Term Facility will amortize in equal monthly payments over the new term of the Bank Credit Facility but such reductions will not reduce the amount available under the revolving credit facility. Advances under the Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 75 basis points. The increased availability under the Bank Credit Facility was used, in part, together with the additional availability under the Bank Term Facility, to finance the up-front cash components of the Eclipse and Thistle acquisitions and related transaction expenses and will also provide DATA with additional flexibility to continue to pursue its strategic growth objectives. In connection with these two acquisitions, DATA’s indebtedness increased by approximately \$16.3 million, including assumed indebtedness of Eclipse and Thistle.

Under the terms of the amendment to the IAM IV Credit Agreement, the maximum aggregate principal amount which may be outstanding at any time under the IAM IV Credit Facility, the IAM III Credit Facility and the Bank Credit Facility, calculated on a consolidated basis in accordance with IFRS (“Senior Funded Debt”), was increased from \$50.0 million to \$72.0 million (after giving effect to the provisions of the inter-creditor agreement described below).

On February 22, 2017, DATA entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take back notes (the “VTB Noteholders”) issued in connection with the Eclipse Acquisition and the Thistle Acquisition, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DATA, Eclipse and Thistle.

Prior to amending the terms of the Bank Credit Facility in January 2017, DATA had capitalized transaction costs of \$0.6 million related to the Bank Credit Facility and the amortization of these costs are recognized over

the term of this facility. As at December 31, 2016, the unamortized transaction costs related to this facility were \$0.5 million. As at December 31, 2016, all of DATA’s indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 3.45% per annum.

Prior to amending the terms of the IAM IV Credit Agreement in January 2017, DATA had capitalized transaction costs of \$0.7 million related to the IAM IV Credit Facility and the amortization of these costs are recognized over the term of this facility. As at December 31, 2016, the unamortized transaction costs related to this facility were \$0.5 million. As at December 31, 2016, all of DATA’s indebtedness outstanding under the IAM IV Credit Facility was subject to a fixed interest rate equal to 6.95% per annum. The IAM IV Credit Facility matures on March 10, 2023.

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

The respective covenants under the Bank Credit Facility and the IAM IV Credit Facility remain unchanged from the terms existing as of March 10, 2016. However, in each case the pro forma financial results for Eclipse and Thistle will be included on a trailing twelve month basis effective as of the Closing Date for the purposes of DATA’s covenant calculations. In addition, on March 9, 2017, IAM consented, effective the quarter ending March 31, 2017, to modify the calculation of debt service coverage ratio under the provisions of the IAM IV Credit Agreement to include EBITDA (as defined in the IAM IV Credit Agreement) for the six most recently completed fiscal quarters (previously four most recently completed quarters) less income taxes actually paid in cash and the amount of capital expenditures actually incurred or paid during

such period up to the amount permitted under this agreement, divided by the aggregate of (i) scheduled principal plus interest payments on the IAM IV Credit Facility and IAM III Credit Facility and (ii) projected interest payments on the Bank Credit Facility for the next six quarters (previously four most recently completed quarters).

Under the terms of the IAM Credit Agreements, DATA must maintain (i) a ratio of Senior Funded Debt to EBITDA for its four most recently completed fiscal quarters of not greater than the following levels: from the date of the advance up to March 31, 2017 – 3.25 to 1; from April 1, 2017 up to March 31, 2018 – 3.00 to 1; and on and after April 1, 2018 – 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. During the quarter ended June 30, 2016, DATA and IAM IV amended the terms of the IAM IV Credit Agreement to exclude the aggregate principal amount of outstanding 6.00% Convertible Debentures from current liabilities for the purposes of calculating the working capital ratio for the period from June 29, 2016 to June 30, 2017. As at December 31, 2016, the ratio of Senior Funded Debt to EBITDA was 2.38, the debt service coverage ratio was 1.95 and the working capital current ratio was 1.45.

Under the terms of the Bank Credit Agreement, DATA must maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DATA to service its outstanding debt for such period. As at December 31, 2016, the fixed charge coverage ratio was 1.56.

A failure by DATA to comply with its obligations under any of the Bank Credit Agreement or the IAM Credit Agreements, together with certain other events, including a change of control of DATA and a change in DATA's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM III and IAM IV, acting reasonably, is appointed within 60 days of the effective date of such officer's

resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. Based on the 2017 operating plan, DATA anticipates it will be in compliance with the covenants in its credit facilities throughout 2017; however there can be no assurance that DATA will be successful in achieving the results targeted in its operating plan for the 2017 fiscal year.

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

As at December 31, 2016, 6.00% Convertible Debentures in an aggregate principal amount of \$11.2 million were outstanding. The 6.00% Convertible Debentures mature on June 30, 2017, bear interest at a rate of 6.00% per annum payable semi-annually and are convertible into Common Shares at the option of the holder at any time prior to June 30, 2017 (or, if called for redemption prior to that date, on the business day immediately preceding the dated specified by DATA for redemption of the 6.00% Convertible Debentures) at a conversion price of \$1,220 per Common Share, being a conversion rate of approximately 0.8196 Common Shares per \$1,000 principal amount of 6.00% Convertible Debentures, subject to adjustment in certain events. The terms of the 6.00% Convertible Debentures, including the right of DATA to satisfy the redemption price of 6.00% Convertible Debentures redeemed by DATA by the issuance of Common Shares, are described in greater detail in DATA's Annual Information Form for the year ended December 31, 2015 (subject to the changes to the 6.00% Convertible Debentures described in DATA's subsequent filings with Canadian securities regulatory authorities), which is available on SEDAR (www.sedar.com).

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

As at December 31, 2016, DATA had cash and cash equivalents of \$1.5 million compared to cash and cash equivalents of \$0.9 million at December 31, 2015. The cash equivalents at December 31, 2015 consisted mainly of short-term investments, such as money market deposits. DATA deposits cash equivalents with a Canadian chartered bank, from which DATA believes the risk of loss to be remote. Under the terms of the IAM IV Credit Agreement, DATA is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM IV Credit Facility. As at December 31, 2016, there was a balance of \$0.4 million in the blocked account, which is recognized as restricted cash in DATA's consolidated statements of financial position.

In assessing DATA's liquidity requirements, DATA takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused credit facilities, cash from investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing and planned restructuring activities, as well as its ongoing cash needs for its existing operations, including expenditures related to its growth strategy, payments associated with various restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DATA's products and services and pricing pressures from its existing and new

customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DATA's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DATA's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

PENSION FUNDING OBLIGATIONS

DATA maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Communications Management Pension Plan. However, DATA is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Communications Management Pension Plan. Applicable pension legislation requires that the funded status of the defined benefit provision of the DATA Communications Management 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'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 Communications Management 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 engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2014, the DATA Communications Management Pension Plan had a reduced solvency deficit from January 1, 2013. Based upon the January 1, 2014 actuarial valuation report, DATA's annual cash contributions to the defined benefit provision of the DATA Communications Management Pension Plan was \$1.3 million. During the year ended December 31, 2016, DATA made all the required payments related to its funding requirement for the defined benefit provision of the DATA Communications Management Pension Plan for 2016, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2014. DATA'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 expects that, in 2017 its funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan will be approximately \$1.3 million. DATA's final funding obligations for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 and future years will be determined based on the actuarial valuation as at January 1, 2017, which will be completed within the first nine months of 2017. Accordingly, DATA continues to make contributions based on the January 1, 2014 valuation.

DATA makes contributions to the Québec Graphics Communications Supplemental Retirement and Disability Fund of Canada (the "SRDF") based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DATA facilities located in the Province of Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The SRDF is jointly-trusted by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. Based upon the terms of those applicable collective bargaining agreements, DATA's estimated annual funding obligation for the SRDF for 2017 is \$0.6 million. The most recent funding actuarial report (as at December 31, 2013) in respect of the Québec members of the plan disclosed a solvency deficiency and a gap between the minimum total contributions required under applicable Québec pension legislation and total employer contributions determined pursuant to collective agreements.

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

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund solvency deficiencies;
- allow for the reduction of accrued benefits; and

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

In addition, another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a “Recovery Plan”. On October 31, 2016, DATA received a letter from the Board of Trustees administering the SRDF and was advised that a form of Recovery Plan was filed with the Québec pension regulatory authorities in August 2016 and that plan members will be sent a personalised statement indicating the effect that the proposed plan will have on their respective pension entitlements. DATA understands that the Recovery Plan was approved in December 2016 and has been advised that employers’ obligations to fund any solvency deficiency have been eliminated in accordance with Bill 34. All participating employers will be receiving a copy of the decisions in the near future. DATA has accounted for this plan on a defined contribution basis.

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

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2016, cash flows provided by operating activities were \$10.1 million compared to \$8.2 million during the same period in 2015. \$12.1 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with \$16.7 million in 2015. The \$4.6 million decrease over the prior year related primarily to lower revenue earned in the current year. Changes in working capital in 2016 generated \$7.6 million compared with \$3.5 million in the prior year primarily due to lower accounts receivables, deferred revenue and inventory

on hand as a result of lower sales and due to higher collections on outstanding receivables from customers at the end of 2016. Accounts payables decreased due to the timing of payments to suppliers for purchases and lower production levels, also a result of lower revenues. In addition, \$7.4 million of cash was used to make payments primarily related to severances and lease termination costs, compared with \$9.8 million of restructuring related payments in 2015. Contributions made to the Company’s pension plans were \$1.9 million, which was unchanged from the prior year.

INVESTING ACTIVITIES

During the year ended December 31, 2016, \$2.9 million in cash flows were used for investing activities compared with \$3.9 million during the same period in 2015. In 2016, this lower level was primarily made up of \$2.7 million in capital expenditures to recalibrate machinery and equipment that was moved from the large Edmonton, Alberta manufacturing facility to other locations, install new racking in the Calgary, Alberta warehouse and the purchase of new software. There were \$3.2 million of capital expenditures in the prior year, which mainly related to the consolidation of three manufacturing facilities into the Calgary, Alberta manufacturing facility. Total capital expenditures as a percentage of revenue were approximately 1% for both years.

FINANCING ACTIVITIES

During the year ended December 31, 2016, cash flow used by financing activities was \$6.5 million compared to \$4.3 million during the same period in 2015. \$2.8 million in gross proceeds were received, less issuance expenses of \$0.1 million, for net aggregate proceeds of \$2.7 million from the private placement completed in 2016 (see “Outstanding share data” below for further details). The net proceeds of the private placement were used by DATA for general working capital purposes. During the year ended December 31, 2016, DATA established new credit facilities and used cash from advances under those credit facilities totaling \$43.3 million to repay the outstanding principal amounts under its prior credit

facilities. In addition, DATA repaid a total of \$7.2 million of the principal amount outstanding under its new credit facilities during the year compared to \$4.0 million of principal repaid under its prior credit facilities in 2015. DATA incurred \$1.3 million of transaction costs related to the establishment of new credit facilities during the year ended December 31, 2016.

Outstanding share data

At March 9, 2017, December 31, 2016 and December 31, 2015, there were 13,253,761, 11,975,053 and 9,987,528 Common Shares outstanding, respectively.

On February 22, 2017, a total of 1,278,708 Common Shares were issued to Eclipse and Capri as partial consideration for the assets of Eclipse and the shares of Thistle acquired by DATA. Each of Eclipse and Capri has entered into a lock-up agreement with DATA, pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to those sale transactions until for a period of twelve months from the closing of the relevant transaction.

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

On May 31, 2016, DATA completed a portion of a non-brokered private placement and issued a total of 1,678,567 Common Shares at a price of \$1.40 per Common Share, of which 988,766 were purchased by the CEO of DATA. On July 4, 2016, following receipt of disinterested shareholder approval at the annual and special meeting of DATA's shareholders held on June 30, 2016, DATA completed the remaining portion of the private placement and issued an additional 308,958 Common Shares to a minority interest shareholder (the "Minority Shareholder") at a price of \$1.40 per Common Share pursuant to the exercise of anti-dilution rights held by the Minority Shareholder. The total number of Common Shares issued as a result

of the private placement was 1,987,525 or approximately 19.9% of the current number of outstanding Common Shares on May 27, 2016.

At March 9, 2017, December 31, 2016 and December 31, 2015, \$11.2 million aggregate principal amount of 6.00% Convertible Debentures were outstanding. The 6.00% Convertible Debentures are convertible into Common Shares at the option of the holder at any time prior to June 30, 2017. See "Liquidity and capital resources" for further details related to the 6.00% Convertible Debentures.

During the year ended December 31, 2016, the Board approved awards of options to purchase up to 987,011 Common Shares to the executive management team of DATA pursuant to the terms of DATA's existing long-term incentive plan. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.50 per share, representing the fair value of the Common Shares on the date of grant. A total of 499,377 options were awarded to DATA's CEO and vested on June 23, 2016 and a total of 487,634 options were awarded to the other members of DATA's executive management team and vest at a rate of 1/24th per month beginning on June 23, 2016. During the year ended December 31, 2016, 39,011 of these options awarded to the executive management team were forfeited.

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

Financial instruments and risk management

DATA's financial instruments consisted of cash and cash equivalents, restricted cash, trade receivables,

trade payables, loans payable and long-term debt, the amounts of which are included in DATA's consolidated statements of financial position as at December 31, 2016 and December 31, 2015, respectively. DATA did not enter into financial instruments for trading or speculative purposes.

FAIR VALUE

The carrying value of cash and cash equivalents, trade receivables, trade payables and loans payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of restricted cash approximates its carrying value because it is a deposit held with a Canadian chartered bank. The fair value of DATA's Credit Facilities are equivalent to their carrying value since their interest rates are comparable to market rates. The 6.00% Convertible Debentures are listed for trading on the TSX and the debt portion of those debentures is recorded at its amortized cost. Based on the quoted market price, the 6.00% Convertible Debentures had a fair value of \$10.6 million at December 31, 2016 compared to a book value of \$11.1 million for the debt portion and of \$0.1 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 to credit risk consisted of cash and cash equivalents, restricted cash and trade receivables. The carrying amount of assets included in the consolidated statements of financial position of DATA represents the maximum credit exposure.

DATA grants credit to customers in the normal course of business. DATA 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 has trade receivables from clients engaged in various industries including financial institutions, insurance, healthcare, lottery and gaming, retailing, not-for-profit, energy and governmental agencies that are not concentrated in any specific geographic area. DATA 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's large client base.

Based on historical experience, DATA 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'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, 2016, 3.7% (or \$1.1 million), of trade receivables were more than 90 days old, an increase from 3.2% (or \$1.2 million), of trade receivables that were more than 90 days old at December 31, 2015.

LIQUIDITY RISK

Liquidity risk is the risk that DATA may encounter difficulties in meeting obligations associated with financial liabilities as they become due. DATA 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'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's pension plans, maintenance capital expenditures and interest and scheduled repayments of borrowings under DATA's credit facilities. See "Contractual obligations" section below which contains additional information

on the contractual undiscounted cash flows of DATA's significant financial liabilities and the future commitments of the Company.

As at December 31, 2016, DATA had access to \$10.0 million of additional available credit less letters of credit granted of \$1.1 million under the Bank Credit Facility. See "Liquidity" section above for further details of the amendments to the Bank Credit Facility on January 31, 2017.

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's interest rate risk arises from long-term debt issuances at floating interest rates. As at December 31, 2016, \$10.4 million of DATA's indebtedness outstanding was subject to floating interest rates of 3.45% per annum, \$25.6 million of DATA's indebtedness outstanding was subject to a fixed interest rate of 6.95% per annum and DATA's remaining outstanding 6.00% Convertible Debentures are subject to a fixed interest rate of 6.00% per annum.

CURRENCY RISK

Currency risk is the risk that the fair value of future cash flows arising from a financial instrument will fluctuate because of changes in foreign currency exchange rates. In the normal course of business, DATA 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. Management considers the currency risk to be low and does not hedge its currency risk and therefore sensitivity analysis is not presented.

Note 16 to the audited consolidated financial statements of DATA for the year ended December 31, 2016 contains additional information on DATA's financial instruments.

Contractual obligations

DATA believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2016. 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.

The outstanding 6.0% Convertible Debentures mature on June 30, 2017. DATA is considering a range of alternatives with respect to its payment obligations upon maturity of those debentures, including drawing upon or increasing its senior credit facilities, refinancing, redeeming or amending the terms of the 6.00% Convertible Debentures and equity issuances. No decision with respect to any such alternative has been taken by the Company.

DATA believes that its existing cash resources and projected cash flows from operations will be sufficient to fund its currently projected operating requirements and that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

TABLE 6 The following table sets out DATA's significant contractual obligations and commitments as of December 31, 2016.

(in thousands of Canadian dollars, unaudited)

	Total	2017	2018	2019	2020	2021	2022 and thereafter
Pension funding contributions ⁽¹⁾	\$ 7,124	\$ 1,878	\$ 1,871	\$ 853	\$ 846	\$ 838	\$ 838
Loan payable ⁽²⁾	\$ 151	151	—	—	—	—	—
Long-term debt ⁽³⁾	\$ 43,225	7,866	5,737	12,613	5,057	5,059	6,893
Convertible debentures ⁽⁴⁾	\$ 11,510	11,510	—	—	—	—	—
Operating leases	\$ 69,393	11,239	9,421	8,614	8,116	7,221	24,782
Total	\$ 131,403	\$ 32,644	\$ 17,029	\$ 22,080	\$ 14,019	\$ 13,118	\$ 32,513

- (1) DATA is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Communications Management Pension Plan. See "Liquidity and capital resources – Pension funding obligations" above. The table above includes amounts payable under the SERP. DATA'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) DATA entered into a loan agreement for licensed software.
- (3) Bank Credit Facility, expiring on March 10, 2019. As at December 31, 2016, the outstanding balance totalled \$10,434 and bore interest at an average floating rate of 3.45% per annum. The outstanding balance will be reduced by monthly principal repayments of \$208 ending February 1, 2018, a principal payment of \$8 on March 10, 2018 and principal repayment of \$7,514 on March 10, 2019. The amounts at December 31, 2016 include estimated interest totalling \$320 for 2017, \$261 for 2018 and \$44 for 2019. IAM IV Credit Facility, expiring on March 10, 2023. As at December 31, 2016, the outstanding balance totalled \$25,611 and bore interest at a fixed rate of 6.95% per annum. Monthly blended principal and interest payments of \$422. See "Liquidity and capital resources" above for more details on changes to DATA's long-term debt and assumed indebtedness of Eclipse and Thistle, related to the acquisitions of Eclipse and Thistle.
- (4) 6.00% Convertible Debentures, which mature on June 30, 2017 and are convertible at 0.8196 common shares per \$1,000 principal amount of debenture. Annual interest of \$0.3 million is based on the aggregate amount 6.00% Convertible Debentures outstanding at December 31, 2016.

Off-balance sheet arrangements

DATA's off-balance sheet arrangements are operating leases. DATA leases real estate, printing equipment 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, 2016, there were regular intercompany activities between DATA and its subsidiary during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DATA. Related parties are defined as individuals who can influence the direction or management of DATA or any of its

subsidiaries and therefore the directors and officers of DATA's subsidiaries are considered related parties.

CORPORATE INSURANCE POLICIES

Effective June 23, 2015, DATA appointed an insurance company as its broker of record for its corporate insurance policies and subsequently entered into new general corporate insurance policies, including the renewal of its directors and officers liability insurance later in the year. The insurance company continues as DATA's broker of record and earns fees based on a percentage of the insurance expense paid by DATA. During the fiscal year, DATA recorded an insurance expense of \$0.5 million (2015 – \$0.2 million) related to these policies. As at December 31, 2016, prepaid expenses and other current assets included prepaid insurance to the insurance company of \$0.3 million

(2015 – \$0.2 million). The insurance company is a related party whereby the Chair of the Board and the President of DATA each are Directors and indirectly have a minority interest in the insurance company, through companies controlled by them.

PRIVATE PLACEMENT OF COMMON SHARES

During the year ended December 31, 2016, the CEO and a minority shareholder of DATA participated in a private placement of common shares (see “Outstanding share data” above), purchasing 1,297,724 common shares for consideration of \$1.8 million.

OFFICE LEASE

On December 21, 2016, DATA entered into a new agreement to lease approximately 2,000 square feet of office space in Toronto, Ontario from a company that the Chair of the Board and the President are Directors of. Under the lease agreement, the lease commences March 1, 2017, runs month-to-month and can be terminated by either party with reasonable notice. The monthly expense will be \$7 thousand per month.

THISTLE ACQUISITION

On February 22, 2017, DATA acquired all of the outstanding common shares of Thistle from Capri Media Group Inc. (“Capri”). Companies controlled by the Chair of the Board and the President of DATA, respectively, control Capri. As a result, Capri is a related party of DATA for purposes of IFRS. The Board established an independent committee (the “Independent Committee”) comprised of three independent members of the Board, to supervise the negotiation of the terms of the Thistle Acquisition and make a recommendation to the Board as to approval of the transaction.

The Independent Committee retained Cormark Securities Inc. (“Cormark”), an independent third party, to provide it with an opinion as to the fairness, from a financial point of view, to the holders of DATA's common shares of the consideration to be paid to Capri pursuant to the Thistle Acquisition. Cormark's fee for providing its fairness opinion was not contingent on the completion of the Thistle

Acquisition. On January 31, 2017, Cormark delivered a written opinion that, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as set forth therein, the consideration paid to Capri for the shares of Thistle pursuant to the Thistle Acquisition was fair, from a financial point of view, to DATA's common shareholders.

After careful consideration of the terms of the Thistle Acquisition and the associated opportunities, risks and uncertainties, and consultation with Cormark and the Independent Committee's legal advisors, the Independent Committee unanimously determined that the Thistle Acquisition was in the best interests of DATA and resolved to recommend that the Board approve the Thistle Acquisition. The Thistle Acquisition was unanimously approved by the Board (other than the Chair of the Board, who did not participate in the Board's consideration of the transaction) following the recommendation of the Independent Committee.

Thistle was acquired for a net purchase price of approximately \$6.1 million. The purchase price was satisfied as follows: \$1.1 million in cash, \$1.5 million through the issuance of 644,445 Common Shares of DATA, and \$3.5 million in the form of a secured, non-interest bearing vendor take-back promissory note, which is payable in 24 equal monthly payments following the Closing Date. The purchase price is subject to customary post-closing working capital and other adjustments.

These transactions are provided in the normal course of operations and were measured at the exchange amount, which represents the amount of consideration established and agreed to by the related parties.

Operating results for the fourth quarter of 2016 and 2015

TABLE 7 The following table sets out selected consolidated quarterly financial information for the periods noted.

(in thousands of Canadian dollars, except share and per share amounts, unaudited)	October 1 to December 31, 2016	October 1 to December 31, 2015
Revenues	\$ 68,191	\$ 81,010
Cost of revenues	54,950	61,237
Gross profit	13,241	19,773
Selling, general and administrative expenses	13,394	13,082
Restructuring expenses	1,721	1,545
Impairment of goodwill	31,066	—
Gain on redemption of convertible debentures	—	(12,766)
Acquisition costs	68	—
(Loss) income before finance costs and income taxes	(33,008)	17,912
Finance costs (income)		
Interest expense	839	1,370
Interest income	—	(1)
Amortization of transaction costs	111	163
	950	1,532
(Loss) income before income taxes	(33,958)	16,380
Income tax (recovery) expense		
Current	194	941
Deferred	(1,037)	2,034
	(843)	2,975
Net (loss) income for the period	\$ (33,115)	\$ 13,405
Adjusted EBITDA (see Table 8)	\$ 2,217	\$ 8,377
Adjusted net income (see Table 9)	\$ 25	\$ 3,437
Adjusted net income per share, basic and diluted	nil	\$ 2.89
Pro forma Adjusted net income per share, basic ⁽¹⁾	nil	\$ 0.29
Pro forma Adjusted net income per share, diluted ⁽¹⁾	nil	\$ 0.28
Weighted average number of common shares outstanding, basic and diluted	11,975,053	1,188,968
Number of common shares outstanding, basic	11,975,053	9,987,528
Number of common shares outstanding, diluted	12,465,818	9,987,528

(1) Pro forma Adjusted net income per share, basic and pro forma Adjusted net income per share, diluted, are non-IFRS measures: assumes Adjusted net income per share, basic and diluted, were calculated on the basis of the total number of Common Shares outstanding of 11,975,053 and of 12,465,818, respectively at December 31, 2016, rather than the weighted average, basic and diluted, number of Common Shares outstanding at the respective period ends, given the significant changes in the number of Common Shares outstanding during comparable periods. See "Non-IFRS Measures".

TABLE 8 The following table provides a reconciliation of net (loss) income to Adjusted EBITDA for the periods noted. See "Non-IFRS Measures".

(in thousands of Canadian dollars, unaudited)	October 1 to December 31, 2016	October 1 to December 31, 2015
Net (loss) income for the period	\$ (33,115)	\$ 13,405
Interest expense	839	1,370
Interest income	—	(1)
Amortization of transaction costs	111	163
Current income tax expense	194	941
Deferred income tax (recovery)	(1,037)	2,034
Depreciation of property, plant and equipment	815	1,182
Amortization of intangible assets	560	504
EBITDA	\$ (31,633)	\$ 19,598
Restructuring expenses	1,721	1,545
One-time business reorganization costs	995	—
Impairment of goodwill	31,066	—
Gain on redemption of convertible debentures	—	(12,766)
Acquisition costs	68	—
Adjusted EBITDA	\$ 2,217	\$ 8,377

TABLE 9 The following table provides a reconciliation of net (loss) income to Adjusted net income for the periods noted. See "Non-IFRS Measures".

(in thousands of Canadian dollars, unaudited)	October 1 to December 31, 2016	October 1 to December 31, 2015
Net (loss) income for the period	\$ (33,115)	\$ (13,405)
Restructuring expenses	1,721	1,545
One-time business reorganization costs	995	—
Impairment of goodwill	31,066	—
Gain on redemption of convertible debentures	—	(12,766)
Acquisition costs	68	—
Tax effect of above adjustments	(710)	1,253
Adjusted net income	\$ 25	\$ 3,437

REVENUES

For the quarter ended December 31, 2016, DATA recorded revenues of \$68.2 million, a decrease of \$12.8 million or 15.8% compared with the same period in 2015. The decrease in revenues was due to (i) lower volumes and pricing from certain customers, (ii) approximately \$3.6 million of non-recurring work related to labels and forms from a major retailer and certain government agencies, respectively, in 2015, (iii) a weaker economy in Western Canada, (iv) disruption caused by the closure of the large Edmonton, Alberta manufacturing facility and reassignment of contracts to other plants, and (v) training of the sales force to transition to DATA's new business structure which is now more vertical market focused. The aforementioned reasons more than offset the growth in revenues from new customers during the quarter.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2016, cost of revenues decreased to \$55.0 million from \$61.2 million for the same period in 2015. Gross profit for the quarter ended December 31, 2016 was \$13.2 million, which represented a decrease of \$6.5 million or 33.0% from \$19.8 million for the same period in 2015. Gross profit as a percentage of revenues decreased to 19.4% for the quarter ended December 31, 2016 compared to 24.4% for the same period in 2015. The decrease in gross profit as a percentage of revenues for the quarter ended December 31, 2016 was due to the decrease in revenues (as noted above), changes in product mix, one-time business reorganization costs incurred and compressed margins on recently negotiated large contracts with certain existing customers. The decrease in gross profit as a percentage of revenues was partially offset by the cost reductions realized from prior cost savings initiatives implemented in 2015.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2016 increased \$0.3 million or 2.4% to \$13.4 million compared to \$13.1 million in the same period in 2015.

As a percentage of revenues, these costs were 19.6% of revenues for the quarter ended December 31, 2016 compared to 16.1% of revenues for the same period in 2015. The increase in SG&A expenses for the quarter ended December 31, 2016 was primarily attributable to increased marketing expenses and costs related to DATA's ERP system development.

RESTRUCTURING EXPENSES

For the quarter ended December 31, 2016, DATA incurred restructuring expenses of \$1.7 million primarily to related headcount reductions associated with the closure of its large Edmonton, Alberta manufacturing facility, in addition to headcount reductions across other functions of the business. For the quarter ended December 31, 2015, DATA incurred restructuring expenses of \$1.5 million primarily related to a lease exit charge associated with the closure of its Vancouver, British Columbia manufacturing facility as well as additional headcount reductions completed in the fourth quarter of 2015.

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2016, DATA performed its annual review for impairment of goodwill, which resulted in DATA recognizing a non-cash impairment of goodwill charge of \$31.1 million related to the DATA CM CGU. During the fourth quarter of 2015, DATA performed its annual review for impairment of goodwill, which resulted in DATA recognizing no impairment of goodwill charges.

GAIN ON REDEMPTION OF CONVERTIBLE DEBENTURES

On December 23, 2015, DATA redeemed \$33.5 million aggregate principal amount of its \$44.7 million outstanding 6.00% Convertible Debentures and recorded a gain on redemption of convertible debentures of \$13.2 million. Transaction costs of \$0.4 million were incurred to execute the redemption and have been netted against the gain on redemption of convertible debentures.

ADJUSTED EBITDA

For the quarter ended December 31, 2016, Adjusted EBITDA was \$2.2 million, or 3.3% of revenues. Adjusted EBITDA for the quarter ended December 31, 2016 decreased \$6.2 million or 73.5% from the same period in the prior year and Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 10.3% of revenues in 2015 to 3.3% of revenues in 2016. The decrease in Adjusted EBITDA for the quarter ended December 31, 2016 was due to lower gross profit as a result of lower revenues and higher SG&A expenses.

INTEREST EXPENSE

Interest expense on long-term debt outstanding under DATA's credit facilities, the 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA's employee benefit plans was \$0.8 million for the quarter ended December 31, 2016 compared to \$1.4 million for the same period in 2015. Interest expense for the quarter ended December 31, 2016 was lower than the same period in the prior year primarily due to a reduction in debt outstanding under DATA's credit facilities.

INCOME TAXES

DATA reported a loss before income taxes of \$34.0 million, a current income tax expense of \$0.2 million and a deferred income tax recovery of \$1.0 million for the quarter ended December 31, 2016 compared to income before income taxes of \$16.4 million, a current income tax expense of \$0.9 million and a deferred income tax expense of \$2.0 million for the quarter ended December 31, 2015. The current tax expense was primarily related to the income tax payable on DATA's estimated taxable income for the quarters ended December 31, 2016 and 2015. The deferred income tax recovery primarily related to changes in estimates of the timing of future reversals of temporary differences and new temporary differences that arose during the quarters ended December 31, 2016 and 2015, respectively.

NET (LOSS) INCOME

Net loss for the quarter ended December 31, 2016 was \$33.1 million compared to net income of \$13.4 million for the quarter ended December 31, 2015. The decrease in comparable profitability for the quarter ended December 31, 2016 was substantially due to lower gross profit as a result of lower revenues, higher SG&A expenses, a non-cash goodwill impairment charge, restructuring expenses, and one-time business reorganization costs incurred during the quarter ended December 31, 2016. The net income for the quarter ended December 31, 2015 included a gain for purposes of IFRS on the partial redemption of the 6.00% Convertible Debentures. The decrease in comparable profitability was partially offset by lower interest expense and a net deferred tax recovery during the quarter ended December 31, 2016.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended December 31, 2016 was \$25.0 thousand compared to Adjusted net income of \$3.4 million for the same period in 2015. The decrease in comparable profitability for the quarter ended December 31, 2016 was attributable to gross profit as a result of lower revenues and higher SG&A expenses which was partially offset by lower interest expense in 2016.

Summary of eight quarter results

TABLE 10 The following table summarizes quarterly financial information for the past eight quarters.

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

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	\$ 68,191	\$ 65,842	\$ 69,716	\$ 74,614	\$ 81,010	\$ 74,116	\$ 73,447	\$ 76,002
Net income (loss) attributable to shareholders	(33,115)	(1,865)	991	1,882	13,405	(1,763)	(29,683)	(1,131)
Basic earnings (loss) per share	(2.77)	(0.16)	0.09	0.19	11.27	(7.51)	(126.36)	(4.81)
Diluted earnings (loss) per share	(2.77)	(0.15)	0.09	0.19	11.27	(7.51)	(126.36)	(4.81)

The variations in DATA's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2016 can be attributed to several principal factors: revenue declines in DATA's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses and business reorganization costs related to DATA's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DATA's key plants, gain on partial redemption of its 6.00% Convertible Debentures, lower interest expense as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015 and non-cash goodwill impairment charges.

DATA's net loss for the fourth quarter of 2016 included restructuring expenses of \$1.7 million and \$1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment

of goodwill of \$31.1 million related to its DATA CM CGU. DATA's net income for the fourth quarter of 2015 included restructuring expenses of \$1.5 million and a gain on partial redemption of its 6.00% Convertible Debentures of \$12.8 million.

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

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

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

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are outlined in notes 2 and 3 of the Notes to the audited consolidated financial statements of DATA for the year ended December 31, 2016. DATA did not adopt any new accounting policies during the year that would have a significant impact on its consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

DATA has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or the amendments to these standards is ongoing. Please see notes 3 of the Notes the audited consolidated financial statements of DATA for the year ended December 31, 2016 in order to obtain more information.

- Amendments to IAS 12 *Income taxes*
- Amendments IAS 7 *Statement of Cash Flows*
- IFRS 9 *Financial Instruments*
- Amendments to IFRS 7 *Financial Instruments: Disclosure*
- IFRS 15 *Revenue from Contracts with Customers*
- An amendment to IFRS 2 *Share-based Payment*, classification and measurement of share-based payment transactions.
- IFRS 16 *Leases*

Critical accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that are not readily apparent from other sources about the carrying amounts of assets and liabilities, and reporting of income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are certain critical judgements and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015:

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

Goodwill, intangible and non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, annually at the end of each fiscal year. The determination of the impairment of goodwill, intangible and non-current assets are impacted by estimates of the fair value of CGU's, 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'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's impairment evaluation and hence results.

INCOME TAXES

In assessing the probability of realizing deferred income tax assets, management has made estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Deferred tax assets also reflect the benefit of unused tax losses that can be carried forward to reduce income taxes in future years. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

UNCERTAIN TAX POSITIONS

DATA maintains provisions for uncertain tax positions using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. DATA reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date, liabilities in excess of the DATA's provisions could result from audits by, or litigation with, relevant taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

PENSION OBLIGATIONS

Management estimates the pension obligations annually using a number of assumptions and with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its pension obligations

are based on rates of inflation and mortality that management considers to be reasonable. It also takes into account DATA's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each fiscal year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future actuarial valuations and the carrying amount of DATA's defined benefit obligations.

PROVISIONS

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when DATA has a present legal or constructive obligation arising from past events, when it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is DATA's best estimate of the present obligation at the end of the reporting period. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. DATA's main provisions are related to restructuring costs and onerous contracts. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the statement of operations.

Management's report on internal controls over financial reporting

DISCLOSURE CONTROLS AND PROCEDURES

With the supervision and participation of DATA's senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA have evaluated the effectiveness of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of DATA as of December 31, 2016. Based on that evaluation, those officers have concluded that, as of December 31, 2016, such disclosure controls and procedures were sufficiently effective to provide reasonable assurance that (i) material information relating to DATA was made known to management and (ii) information required to be disclosed by DATA 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the supervision and participation of DATA's senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA have evaluated the effectiveness of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of DATA as of December 31, 2016.

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, 2016, such internal controls over financial reporting were sufficiently effective to provide reasonable assurance regarding the reliability of DATA's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

DATA's management has determined that there were no changes in the internal controls over financial reporting of DATA during the year ended December 31, 2016 reporting period that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA.

Outlook

During 2016, DATA made progress on several important strategic projects. These included: further improvements to operating efficiencies through headcount reductions across various functions, in addition to the closure its large Edmonton, Alberta manufacturing facility, which was completed ahead of schedule; the advancement of DATA's internal ERP replacement project; the implementation of new technology for improving service levels, new data storage facilities and PC platforms; refinement of DATA's sale team at the leadership level, along with enhancements to DATA's sales process and go-to market strategy, which is now more vertical market focused; and an addition to DATA's executive leadership team with the introduction of Greg J. Cochrane as President.

DATA continued into 2017 with further cost reductions to streamline the Company's order-to-production process and has now shifted its focus onto the growth of its business through organic growth and potential acquisitions. In February of 2017, DATA took its first step in executing on its growth strategy by successfully completing the acquisitions of Eclipse and Thistle. The Company is currently working on integrating these businesses and identifying potential revenue synergies and other opportunities for synergies. DATA is actively pursuing other growth opportunities it sees in its markets which leverage its key competencies of managing complexity and providing superior execution for its clients' business and marketing communications needs.

Including the additions of Eclipse and Thistle, the Company expects full year non-IFRS Adjusted EBITDA to be between \$22.0 million and \$26.0 million in 2017, representing an improvement of approximately 53% to 80% compared to 2016, despite anticipated softness in the first quarter of 2017.

At the end of the second quarter of 2017, the 6.00% Convertible Debentures will come due. DATA is currently evaluating various alternatives to finance the settlement of the 6.00% Convertible Debentures on maturity. Management expects to be able to meet all of its ongoing obligations and finance future growth through a potential combination of its operating cash flows, drawing upon or increasing its senior credit facilities, refinancing, redeeming or amending the terms of the 6.00% Convertible Debentures and through the issuance of Common Shares.

DATA recognizes that there were certain anomalies that transpired during the year, especially in the second half, which affected its ability to meet its annual financial targets for 2016. In addition, the Company is conscious of the challenges that lie ahead, however, the Company expects 2017 will be a better year as the strategic projects completed in 2016 are now behind it and there is optimism that the benefits of these initiatives will come to fruition in the years to follow.

Risks and uncertainties

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

FINANCIAL STATEMENTS

Financial reporting responsibility of management

The accompanying consolidated financial statements of DATA Communications Management Corp. (“DATA”) have been prepared by management and approved by the Board of Directors of DATA.

Management of DATA is responsible for the preparation and presentation of the consolidated financial statements and all the financial information contained within this Annual Report within reasonable limits of materiality. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In the preparation of the consolidated financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on available information and careful judgements and have been properly reflected in the accompanying consolidated financial statements. The financial information throughout the text of this Annual Report is consistent with that in the consolidated financial statements.

To assist management in discharging these responsibilities, DATA maintains a system of internal controls which are designed to provide reasonable assurance that DATA's consolidated assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial records form a reliable base for the preparation of accurate and timely financial information.

Management recognizes its responsibilities for conducting DATA's affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

PricewaterhouseCoopers LLP, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements of DATA in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of DATA.

The Board of Directors has appointed an Audit Committee composed of three directors who are not members of management of DATA. The Audit Committee meets periodically with management and the auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. It is responsible for reviewing DATA's annual and interim consolidated financial statements and the report of the auditors. The Audit Committee reports the results of such reviews to the Board of Directors and makes recommendations with respect to the appointment of DATA's auditors. In addition, the Board of Directors may refer to the Audit Committee other matters and questions relating to the financial position of DATA.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting, and are responsible for approving the consolidated financial statements of DATA.

Signed: Michael G. Sifton

Michael G. Sifton

Chief Executive Officer

DATA Communications Management Corp.

Signed: James E. Lorimer

James E. Lorimer

Chief Financial Officer

DATA Communications Management Corp.

March 9, 2017

Brampton, Ontario

MARCH 9, 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF DATA COMMUNICATIONS MANAGEMENT CORP.

We have audited the accompanying consolidated financial statements of DATA Communications Management Corp. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of operations, comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures

selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DATA Communications Management Corp. and its subsidiary as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed: PricewaterhouseCoopers LLP

**Chartered Professional Accountants,
Licensed Public Accountants**

Consolidated statements of financial position

(in thousands of Canadian dollars)	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,544	\$ 871
Trade receivables (note 4)	29,157	38,051
Inventories (note 5)	33,252	37,053
Prepaid expenses and other current assets	4,667	4,150
	68,620	80,125
NON-CURRENT ASSETS		
Deferred income tax assets (note 12)	3,839	2,070
Restricted cash (note 10)	425	—
Property, plant and equipment (note 6)	12,483	14,422
Pension assets (note 14)	1,589	770
Intangible assets (note 7)	3,954	5,614
Goodwill (note 8)	—	31,066
	\$ 90,910	\$ 134,067
LIABILITIES		
CURRENT LIABILITIES		
Trade payables	\$ 27,304	\$ 29,766
Current portion of Credit facilities (note 10)	5,886	43,095
Current portion of Convertible debentures (note 11)	11,082	—
Provisions (note 9)	3,305	5,723
Income taxes payable	2,231	903
Deferred revenue	8,665	10,811
	58,473	90,298
NON-CURRENT LIABILITIES		
Provisions (note 9)	675	1,483
Credit facilities (note 10)	29,156	—
Convertible debentures (note 11)	—	10,912
Deferred income tax liabilities (note 12)	—	76
Other non-current liabilities (note 13)	1,691	1,362
Pension obligations (note 14)	8,340	8,354
Other post-employment benefit plans (note 15)	2,510	2,563
	\$ 100,845	\$ 115,048
EQUITY		
SHAREHOLDERS' EQUITY (DEFICIT)		
Shares (note 17)	\$ 237,432	\$ 234,782
Conversion options	128	128
Contributed surplus	1,164	385
Accumulated other comprehensive income	258	306
Deficit	(248,917)	(216,582)
	\$ (9,935)	\$ 19,019
	\$ 90,910	\$ 134,067

Approved by Board of Directors

Signed: J.R. Kingsley Ward

J.R. Kingsley Ward
Director

Signed: Michael G. Sifton

Michael G. Sifton
Director

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts)		For the year ended December 31, 2016	For the year ended December 31, 2015
REVENUES	\$	278,363	\$ 304,575
COST OF REVENUES		215,295	233,505
GROSS PROFIT		63,068	71,070
EXPENSES (INCOME)			
Selling, commissions and expenses		31,376	33,194
General and administration expenses		24,558	23,469
Restructuring expenses (note 9)		4,200	13,560
Impairment of goodwill (note 8)		31,066	26,000
Gain on redemption of convertible debentures (note 11)		—	(12,766)
Acquisition costs		68	—
		91,268	83,457
LOSS BEFORE FINANCE COSTS AND INCOME TAXES		(28,200)	(12,387)
FINANCE COSTS (INCOME)			
Interest expense		3,414	5,599
Interest income		(8)	(11)
Amortization of transaction costs		578	468
		3,984	6,056
LOSS BEFORE INCOME TAXES		(32,184)	(18,443)
INCOME TAX (RECOVERY) EXPENSE			
Current (note 12)		1,572	1,191
Deferred (note 12)		(1,649)	(462)
		(77)	729
NET LOSS FOR THE YEAR	\$	(32,107)	\$ (19,172)
BASIC LOSS PER SHARE (note 18)	\$	(2.89)	\$ (40.33)
DILUTED LOSS PER SHARE (note 18)	\$	(2.89)	\$ (40.33)

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

Consolidated statements of comprehensive loss

(in thousands of Canadian dollars)		For the year ended December 31, 2016	For the year ended December 31, 2015
NET LOSS FOR THE YEAR		\$ (32,107)	\$ (19,172)
OTHER COMPREHENSIVE (LOSS) INCOME:			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET LOSS			
Foreign currency translation		(48)	214
		(48)	214
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS			
Re-measurements of post-employment benefit obligations		(309)	159
Taxes related to post-employment adjustment above		81	(41)
		(228)	118
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX		\$ (276)	\$ 332
COMPREHENSIVE LOSS FOR THE YEAR		\$ (32,383)	\$ (18,840)

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

Consolidated statements of changes in equity (deficit)

(in thousands of Canadian dollars)	Shares	Conversion options	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity (deficit)
Balance as at December 31, 2014	\$ 215,336	\$ 513	\$ —	\$ 92	\$ (197,528)	\$ 18,413
Net loss for the year	—	—	—	—	(19,172)	(19,172)
Other comprehensive income for the year	—	—	—	214	118	332
Total comprehensive income (loss) for the year	—	—	—	214	(19,054)	(18,840)
Shares issued on the redemption of convertible debentures (note 17)	19,446	(385)	385	—	—	19,446
Balance as at December 31, 2015	\$ 234,782	\$ 128	\$ 385	\$ 306	\$ (216,582)	\$ 19,019
BALANCE AS AT DECEMBER 31, 2015	\$ 234,782	\$ 128	\$ 385	\$ 306	\$ (216,582)	\$ 19,019
Net loss for the year	—	—	—	—	(32,107)	(32,107)
Other comprehensive loss for the year	—	—	—	(48)	(228)	(276)
Total comprehensive loss for the year	—	—	—	(48)	(32,335)	(32,383)
Issuance of common shares (note 17)	2,650	—	—	—	—	2,650
Share-based compensation expense	—	—	779	—	—	779
BALANCE AS AT DECEMBER 31, 2016	\$ 237,432	\$ 128	\$ 1,164	\$ 258	\$ (248,917)	\$ (9,935)

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

Consolidated statements of cash flows

(in thousands of Canadian dollars)

For the year ended
December 31, 2016

For the year ended
December 31, 2015

CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	\$ (32,107)	\$ (19,172)
Adjustments to net loss		
Depreciation of property, plant and equipment (note 6)	4,052	4,754
Amortization of intangible assets (note 7)	2,092	1,949
Share-based compensation expense	779	—
Pension expense	589	609
Loss on disposal of property, plant and equipment	358	56
Impairment of goodwill (note 8)	31,066	26,000
Gain on redemption of convertible debentures (note 11)	—	(12,766)
Provisions (note 9)	4,200	13,560
Amortization of transaction costs	578	468
Accretion of convertible debentures	85	212
Other non-current liabilities	469	692
Other post-employment benefit plans, net	94	(250)
Tax credits recognized	(124)	(181)
Income tax (recovery) expense	(77)	729
	12,054	16,660
Changes in working capital (note 19)	7,619	3,521
Contributions made to pension plans	(1,878)	(1,878)
Provisions paid (note 9)	(7,426)	(9,757)
Income taxes paid	(223)	(380)
	10,146	8,166
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 6)	(2,653)	(4,300)
Purchase of intangible assets (note 7)	(432)	(302)
Proceeds on disposal of property, plant and equipment	167	654
	(2,918)	(3,948)
FINANCING ACTIVITIES		
Increase in restricted cash	(425)	—
Proceeds from issuance of common shares, net (note 17)	2,650	—
Proceeds from Credit Facilities (note 10)	49,532	—
Repayment of Credit Facilities (note 10)	(56,737)	(4,000)
Proceeds from loan payable (note 13)	—	342
Repayment of loan payable	(191)	(32)
Finance and transaction costs (note 10)	(1,341)	(565)
Finance lease payments	(18)	(37)
	(6,530)	(4,292)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	698	(74)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	\$ 871	\$ 812
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	(25)	133
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 1,544	\$ 871

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

1 General information

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

DATA’s revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers’ purchasing decisions throughout the year. As a result, DATA’s revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

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

2 Basis of presentation and significant accounting policies

BASIS OF PRESENTATION

DATA prepares its consolidated financial statements in accordance with International Financial Reporting

Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved by the Board of Directors (“Board”) of DATA Communications Management Corp., on March 9, 2017.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, DATA takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share based-payments*, International Accounting Standards (“IAS”) 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1; that are observable for the asset or liability; either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of DATA and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated upon consolidation.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which DATA has control. Control exists when DATA is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date which control is obtained. They are deconsolidated from the date that control ceases.

DATA uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by DATA or one of its subsidiaries. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. DATA recognizes a non-controlling interest in the acquiree on

an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest(s) recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recorded directly in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When DATA ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income (loss) in respect of that entity are accounted for as if DATA had directly disposed of

the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income (loss) are reclassified to the statement of operations.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each entity within DATA are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These consolidated financial statements are presented in Canadian dollars, which is DATA’s functional currency. The functional currency of DATA’s United States operations is U.S. dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the statement of financial position date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the transaction dates. Gains and losses resulting from translation of monetary assets and liabilities denominated in currencies other than Canadian dollars are included in the determination of income for the year.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average exchange rate during the period. Foreign currency differences are recognized in other comprehensive income (loss) in the foreign currency translation reserve account.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, deposits held with banks, bank overdraft and highly liquid short-term interest bearing securities with maturities of three months or less at the date of purchase.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when DATA becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and DATA has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, DATA classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category, which include the restricted share units (RSU’s), are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations and are included in finance costs. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

- (ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an

active market. DATA's loans and receivables are comprised of trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Restricted cash is presented as a non-current asset as it is not available for general use. Loans and receivables are initially recognized at the amount expected to be received less, if applicable, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- (iii) Other Financial liabilities which are measured at amortized cost: Financial liabilities measured at amortized cost include trade payables, loans payable, credit facilities and convertible debentures. Trade payables are initially recognized at the amount required to be paid less, if applicable, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. The credit facilities and the non-derivative component of convertible debentures are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. DATA's convertible debentures contained a host contract and an embedded derivative. The host contract (the debt portion of the convertible debenture) is measured as the residual of the proceeds after deducting the fair value of the embedded derivative, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.
- (iv) Derivative financial instruments: DATA may also use derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. All derivatives have been classified as held for trading, are included on the statement

of financial position within other assets or other liabilities, and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement of interest rate swaps that do not meet the hedge criteria and of the written put options are included in finance costs. At December 31, 2016 and 2015, DATA had not entered into any interest rate swap agreements.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, DATA assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statement of comprehensive income (loss).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment is recognized in the statement of comprehensive income (loss). DATA recognizes an impairment loss, as follows:

- (i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount through the use of an allowance account.

INVENTORIES

Raw materials inventories are stated at the lower of cost and net realizable value. Printed finished goods and work-in-progress are recorded at the lower of cost and net realizable value. Raw materials are recorded on a weighted average cost basis. Cost of finished goods and work-in-process are determined using the

first-in, first-out method. Inventory manufactured includes the cost of materials, labour and production overheads (based on normal operating capacity) including applicable depreciation on property, plant and equipment. Net realizable value is the estimated selling price less cost to complete and applicable selling expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairments. Costs include expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits

associated with the item will flow to DATA and the cost can be measured reliably. The carrying value of a replaced asset is derecognized when replaced. Maintenance and repairs are expensed as incurred. Depreciation is computed using the methods and rates based on the estimated useful lives of the property, plant and equipment as outlined below:

	BASIS	RATE
Leasehold improvements	straight-line	Shorter of life or lease term
Office furniture and equipment	straight-line	5 years
Presses and printing equipment	straight-line	1 to 10 years
Computer hardware and software	straight-line	1 to 5 years

DATA allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, the method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in general and administration expenses in the statement of operations.

INTANGIBLE ASSETS

Intangible assets that are acquired are measured at cost and are carried at cost less accumulated amortization. These assets include customer relationships, existing software and technology, trademarks and trade names.

Research costs and costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by DATA are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software

so that it will be available for use

- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Management's judgment is required to determine the useful lives of intangible assets including reviewing the length of customer relationships and other factors. These finite life assets are amortized over their estimated useful lives as outlined below.

	BASIS	RATE
Customer relationships	straight-line	3 to 12 years
Software and technology	straight-line	7 years
Computer software development costs	straight-line	5 years
Trademarks and trade names	straight-line	9 years

Residual values, the method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

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. Adjustments to fair value assessments are recorded to goodwill over the measurement period, not exceeding one year from the date of acquisition. Goodwill is allocated to the cash generating unit ("CGU") or a 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 cash generating unit, 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. 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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail including 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.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recorded as impairment provisions within accumulated depreciation for depreciable assets. DATA evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the lesser of the revised estimate

of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

SHARE-BASED COMPENSATION

DATA has share-based compensation plans as part of DATA's long-term incentive plan, as described in note 17. All transactions involving share-based payments are recognized as an expense in the statement of operations over the vesting period.

Equity-settled share-based payment transactions, such as stock option awards, are measured at the grant date at the fair value of employee services received in exchange for the grant of options or share awards and, for non-employee transactions, at the fair value of the goods or services received at the date on which the entity recognizes the goods or services. The total amount of the expense recognized in the statement of operations is determined by reference to the fair value of the share awards or options granted, which factors in the number of options expected to vest. Equity-settled share-based payment transactions are not remeasured once the grant date fair value has been determined.

Cash-settled share-based payment transactions are measured at the fair value of the liability. The liability is remeasured at each reporting date and at the date of settlement, with changes in fair value recognized in the statement of operations.

EMPLOYEE BENEFITS

DATA maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. Pension benefits are primarily based on years of service, compensation and accrued contributions with investment earnings. DATA's funding policy is to fund the annual amount required to meet or exceed the minimum statutory requirements. Annual actuarial valuations are required on the DATA Communications Management Pension Plan until the solvency deficiency is reduced to a level under which the applicable pension regulations allow the valuations to be completed every

three years. At January 1, 2014, the solvency deficiency had reduced to a level such that actuarial valuations are to be completed every three years.

DATA also contributes to the Graphics Communications Supplemental Retirement and Disability Fund of Canada ("SRDF") for certain employees at its Drummondville and Granby plants in Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry jointly-trusted by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining.

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.

(a) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Pension benefits for defined contribution formula are based on the accrued contributions with investment earnings. Under the defined contribution provision of the DATA Communications Management Pension Plan, DATA's annual pension expense is based on the amounts contributed in respect of eligible employees when they are due.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Pension benefits for the defined benefit formula are generally calculated based on the number of years of service and the maximum average eligible earnings of each employee during any period of five consecutive years. DATA accrues its obligations for the defined benefit provision of the

DATA Communications Management Pension Plan and the SERP and related costs, net of plan assets, where applicable. The cost of pensions earned by employees covered by these plans are actuarially determined using the projected unit credit method taking into account management's best estimate of salary escalation, retirement ages and longevity of employees, where applicable. When the calculation results in a benefit to DATA, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in DATA. An economic benefit is available to DATA if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Improvements to the pension plans are recognized as past service costs in the period of the plan amendment. Current service costs are expensed in the period that the benefits are accrued. Administration costs incurred by the DATA Communications Management Pension Plan are recognized as period costs. Curtailments and settlements are accounted for as period costs. Current service costs, administration costs and past services costs are recognized in general and administration expenses in the statement of operations. Net interest is calculated by applying the discount rate at the beginning of the period to the net benefit liability or asset and is recognized in finance expense (income) in the statement of operations.

The discount rate used to determine the accrued benefit obligation is determined by reference to yields on high quality corporate bonds and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arise from the difference between actual rate of return on plan assets and the discount rate for that period, from changes

in actuarial assumptions used to determine the accrued benefit obligation and from changes to accrued benefit obligation resulting from actual experience differing from long-term assumptions used to determine the accrued benefit obligation. Re-measurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the actual return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income (loss) in the period in which they occur. Re-measurements recognized in other comprehensive income (loss) are reflected immediately in retained earnings (deficit) and will not be reclassified to statement of operations.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the DATA's defined benefit plans. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions to the plans.

A liability for a termination benefits is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided.

The SERP is unfunded.

The SRDF is a negotiated contribution defined benefit multi-employer plan, however, the trustees of this plan are not able to provide sufficient information for DATA to account for this plan as a defined benefit plan. DATA has accounted for

this plan on a defined contribution basis as DATA does not believe there is sufficient information to recognize participation on a defined benefit basis. See note 20.

(c) Other long-term employee benefit plans

Certain employees of DATA are provided with post-employment benefits, including health care and life insurance benefits on retirement to certain former employees, their beneficiaries and covered dependents. DATA's net obligation in respect of its non-pension post-employment benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed using the projected unit credit method. Any actuarial gains and losses related to non-pension post-employment benefit plans are recognized in other comprehensive income (loss) in the period in which they arise and will not be reclassified to statement of operations. DATA also provides other long-term employee benefit plans including pension, health care and dental care benefits for employees on long-term disability. DATA's net obligation in respect of its other long-term employee benefit plans is the actuarial present value of all future projected benefits determined as at the valuation date. Any actuarial gains and losses related to other long-term post-employment benefit plans are recognized in the statement of operations in the period in which they arise. The discount rate is the yield at the reporting date on yields on high quality corporate bonds that have maturity dates approximating the terms of DATA's obligations. These non-pension post-employment and other long-term employee benefit plans are funded on a pay-as-you-go basis.

PROVISIONS

A provision is recognized if, as a result of a past event, DATA has a present legal or constructive obligation for which the amount can be estimated reliably, and it is more likely than not that an outflow

of economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted to its present value if material. The unwinding of the discount is recognized as a finance cost.

- (i) Restructuring: A provision for restructuring is recognized when DATA has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.
- (ii) Onerous contracts: DATA performs evaluations to identify onerous contracts and, where applicable, records provisions against such contracts.

INCOME TAXES

Income tax expense comprises current and deferred tax. Current income tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss), in which case the current and/or deferred tax is also recognized directly in equity or other comprehensive income (loss).

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. DATA establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. 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.

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.

Deferred income tax assets and liabilities are presented as non-current.

LEASES

Leases are classified as financing or operating depending on the terms and conditions of the contracts. Lease agreements where DATA assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset class. Obligations recorded

under finance leases are reduced by lease payments net of imputed interest. Other lease agreements are operating leases and the leased assets are not recognized in DATA's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. The unamortized portion of lease incentives and the difference between the straight-line rent expense and the payments, as stipulated under the lease agreement, are included in other non-current liabilities.

SHARE CAPITAL

Common shares are classified as equity instruments. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

REVENUE RECOGNITION

Revenue from the sale of product is recognized upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs, and risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. When customer payments exceed the revenue recognized, the excess is recorded as deferred revenue. Pre-production services have no standalone value and no reliable evidence of their fair value and are therefore included with the final printed products as one unit of accounting. The majority of products are customized and product returns are not significant. Warehousing, administration and marketing service fees are recognized as the services are provided, when the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA and the costs associated with these services can be reliably measured. If warehousing, administration and marketing service fees are included in one overall selling price of a custom print product, the consideration is allocated to each component based on relative selling prices.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting net income (loss) and weighted average number of shares outstanding during the period for the effects of dilutive potential shares, which includes the options granted and interest related to DATA's convertible debentures.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amount of certain 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 judgements 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 are summarized below. For each item, actual results could differ from estimates and judgements made by management.

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

Goodwill, intangible and non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, annually at the end of each fiscal year. The determination of the impairment of goodwill, intangible and non-current assets are impacted by estimates of the fair value of CGU's, 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'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's impairment evaluation and hence results.

INCOME TAXES

In assessing the probability of realizing deferred income tax assets, management has made estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Deferred tax assets also reflect the benefit of unused tax losses that can be carried forward to reduce income taxes in future years. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

UNCERTAIN TAX POSITIONS

DATA maintains provisions for uncertain tax positions using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. DATA reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date, liabilities in excess of the DATA's provisions could result from audits by, or litigation with, relevant taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

PENSION OBLIGATIONS

Management estimates the pension obligations annually using a number of assumptions and with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its pension obligations are based on rates of inflation and mortality that management considers to be reasonable. It also takes into account DATA's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each fiscal year end by reference to high quality

corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future actuarial valuations and the carrying amount of DATA's defined benefit obligations.

PROVISIONS

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when DATA has a present legal or constructive obligation arising from past events, when it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is DATA's best estimate of the present obligation at the end of the reporting period. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. DATA's main provisions are related to restructuring costs and onerous contracts. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the statement of operations.

3 Change in accounting policies

(a) New and amended standards adopted

DATA has not adopted any new accounting policies that would have a significant impact on its consolidated financial statements since the year ended December 31, 2015.

(b) Future accounting standards not yet adopted.

- (i) Amendments to IAS 12 *Income taxes* titled *Recognition of Deferred Tax Assets for Unrealized Losses* were issued in January 2016 to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below

the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective for the year beginning January 1, 2017. DATA does not expect these amendments to have a significant impact on its consolidated financial statements.

- (ii) Amendments to IAS 7 *Statement of Cash Flows* were issued in January 2016 to introduce additional disclosure requirements for liabilities arising from financing activities. The amendments are effective for the year beginning January 1, 2017. DATA does not expect this amendment to have a significant impact on its consolidated financial statements.
- (iii) IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.
- (iv) Amendments to IFRS 7 *Financial Instruments: Disclosure* were issued in September 2014. This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. DATA is currently evaluating the impact of the amendments to the standard on its consolidated financial statements.

- (v) IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:
1. Identify the contract with a customer
 2. Identify the performance obligations in the contract
 3. Determine the transaction price
 4. Allocate the transaction price to the performance obligations in the contract
 5. Recognize revenue when (or as) the entity satisfies a performance obligation

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

- (vi) An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the

classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. DATA does not expect this amendment to have a significant impact on its consolidated financial statements.

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

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

4 Trade receivables

	December 31, 2016	December 31, 2015
Trade receivables	\$ 29,597	\$ 38,577
Provision for doubtful accounts	(440)	(526)
	\$ 29,157	\$ 38,051

5 Inventories

	December 31, 2016	December 31, 2015
Raw materials	\$ 3,774	\$ 5,923
Work-in-progress	2,940	2,850
Finished goods	26,538	28,280
	\$ 33,252	\$ 37,053

Raw materials and finished goods inventory amounts are net of obsolescence reserves of \$360 (2015 – \$657).

The cost of inventories recognized as an expense within cost of revenues for the year ended December 31, 2016 was \$202,539 (2015 – \$220,656).

6 Property, plant and equipment

The following tables present changes in property, plant and equipment for the years ended December 31, 2016 and 2015:

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware and software	Construction in progress	Total
Year ended December 31, 2016						
Opening net book value	\$ 6,249	\$ 368	\$ 7,294	\$ 511	\$ –	\$ 14,422
Additions	621	107	1,366	72	487	2,653
Effect of movement in exchange rates	(2)	–	(6)	(7)	–	(15)
Disposals	(126)	(41)	(301)	(57)	–	(525)
Depreciation for the year	(1,514)	(141)	(2,177)	(220)	–	(4,052)
Closing net book value	\$ 5,228	\$ 293	\$ 6,176	\$ 299	\$ 487	\$ 12,483

At December 31, 2016						
Cost	\$ 12,869	\$ 1,951	\$ 44,810	\$ 5,233	\$ 487	\$ 65,350
Accumulated depreciation	(7,641)	(1,658)	(38,634)	(4,934)	–	(52,867)
Net book value	\$ 5,228	\$ 293	\$ 6,176	\$ 299	\$ 487	\$ 12,483

Year ended December 31, 2015						
Opening net book value	\$ 4,258	\$ 385	\$ 9,781	\$ 483	\$ 616	\$ 15,523
Additions	3,570	140	946	260	(616)	4,300
Effect of movement in exchange rates	15	5	25	18	–	63
Disposals	(128)	(1)	(580)	(1)	–	(710)
Depreciation for the year	(1,466)	(161)	(2,878)	(249)	–	(4,754)
Closing net book value	\$ 6,249	\$ 368	\$ 7,294	\$ 511	\$ –	\$ 14,422

At December 31, 2015						
Cost	\$ 15,374	\$ 1,892	\$ 45,979	\$ 5,554	\$ –	\$ 68,799
Accumulated depreciation	(9,125)	(1,524)	(38,685)	(5,043)	–	(54,377)
Net book value	\$ 6,249	\$ 368	\$ 7,294	\$ 511	\$ –	\$ 14,422

7 Intangible assets

The following tables present changes in intangible assets for the years ended December 31, 2016 and 2015:

	Customer relationships	Software and technology	Trademarks and trade names	Construction in progress	Total
Year ended December 31, 2016					
Opening net book value	\$ 5,260	\$ 354	\$ —	\$ —	\$ 5,614
Additions	—	308	—	124	432
Amortization for the year	(1,869)	(223)	—	—	(2,092)
Closing net book value	\$ 3,391	\$ 439	\$ —	\$ 124	\$ 3,954
At December 31, 2016					
Cost	\$ 75,623	\$ 11,032	\$ 7,700	\$ 124	\$ 94,479
Accumulated amortization	(72,232)	(10,593)	(7,700)	—	(90,525)
Net book value	\$ 3,391	\$ 439	\$ —	\$ 124	\$ 3,954
Year ended December 31, 2015					
Opening net book value	\$ 7,091	\$ 170	\$ —	\$ —	\$ 7,261
Additions	—	302	—	—	302
Amortization for the year	(1,831)	(118)	—	—	(1,949)
Closing net book value	\$ 5,260	\$ 354	\$ —	\$ —	\$ 5,614
At December 31, 2015					
Cost	\$ 75,623	\$ 10,724	\$ 7,700	\$ —	\$ 94,047
Accumulated amortization	(70,363)	(10,370)	(7,700)	—	(88,433)
Net book value	\$ 5,260	\$ 354	\$ —	\$ —	\$ 5,614

The remaining useful lives of the customer relationships are between 1 and 2 years. During the year ended December 31, 2016, DATA incurred costs mainly related to the development and implementation of new Enterprise Resource Planning ("ERP") software. These costs of \$124 were included in construction in progress and were not depreciated during the year.

8 Goodwill

	December 31, 2016	December 31, 2015
Opening balance	\$ 31,066	\$ 57,066
Impairment of goodwill	(31,066)	(26,000)
Ending balance	\$ —	\$ 31,066

	December 31, 2016	December 31, 2015
Cost	\$ 160,725	\$ 160,725
Accumulated impairment losses	(160,725)	(129,659)
Net carrying value	\$ —	\$ 31,066

During the fourth quarter of 2016, DATA performed its annual review for impairment of goodwill by comparing the fair value of each of its CGU's to the CGU's carrying value. DATA did not make any changes to the valuation methodology used to assess goodwill impairment since its last annual impairment test. The recoverable amounts of all CGUs have been determined based on the fair value less cost to sell. DATA uses the income approach to estimate the recoverable value of each CGU. The income approach is predicated on the value of the future cash flows that a business will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value through discounting. The discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

Revenue growth rates and operating margins were based on the 2017 budget approved by the Board and projected over a five-year period. These forecasts were adjusted downwards given the declining operating results experienced by DATA in the past, current economic conditions and the specific trends of the printing industry and market. Accordingly, a weighted average declining growth rate based on a range of 1% to 3% was applied to revenue (2015 – declining revenue growth rate of 1%) and a perpetual long-term

growth rate of 0% thereafter (2015 – 0%) were used to derive the recoverable amount of its CGU's. As a result, DATA concluded that the fair value of its DATA CM CGU was less than its carrying value and accordingly, recorded a non-cash impairment of goodwill for \$31,066. There was no further goodwill remaining as at December 31, 2016.

DATA assumed a discount rate to calculate the present value of the projected cash flows, representing a pre-tax discount rate using a weighted average cost of capital ("WACC") for DATA adjusted for tax, and is an estimate of the total overall required rate of return on an investment for both debt and equity owners. Determination of the WACC requires separate analysis of cost of equity and debt, and considers a risk premium based on the assessment of risks related to the projected cash flows of DATA. DATA used a discount rate of 16.0% (2015 – 15.5%) reflecting management's judgment that sales channels and size of its CGU's would affect the volatility of each CGU's cash flows.

DATA projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DATA used a tax rate of 26.25% (2015 – 26.5%). Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

During the fourth quarter of 2015, DATA performed its annual review for impairment of goodwill by comparing the fair value of each of its CGU's to the CGU's carrying value. As a result of that review, DATA recorded no goodwill impairment charges. The estimated recoverable amount of the DATA CM CGU exceeded its carrying value by approximately \$18,400 and its recoverable amount would equal its carrying value if the discount rate was increased by 4.25% to 19.75%.

During the second quarter of 2015, impairment indicators, including changes in the revenue trends and profit forecasts and the failure to meet certain

financial covenants under its credit facilities, indicated that DATA's assets may be impaired. As a result of that new information, DATA performed an impairment analysis by comparing the fair value of each CGU to the CGU's carrying value. As a result of that review, DATA concluded that the fair value of its operating CGU was less than its carrying value. Accordingly, DATA recorded a non-cash impairment of goodwill for \$26,000 related to the operating CGU during the second quarter of 2015.

9 Provisions

	Restructuring	Onerous contracts	Total
Balance – Beginning of year	\$ 4,614	\$ 2,592	\$ 7,206
Additional charge during the year	3,771	429	4,200
Utilized during the year	(5,612)	(1,814)	(7,426)
Balance – End of year	\$ 2,773	\$ 1,207	\$ 3,980
Less: Current portion of provisions	(2,571)	(734)	(3,305)
As at December 31, 2016	\$ 202	\$ 473	\$ 675

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

RESTRUCTURING

During the year ended December 31, 2016, DATA continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the year ended December 31, 2016, these initiatives resulted in \$3,771 of additional restructuring expenses in the consolidated statement of operations due to headcount reductions across DATA's operations, which included the closure of its manufacturing facility in Edmonton, Alberta. During the year ended December 31, 2015, these initiatives

resulted in \$11,231 of restructuring expenses in the consolidated statement of operations due to headcount reductions across DATA's operations and the closure of certain manufacturing locations.

For the year ended December 31, 2016, cash payments of \$5,612 (2015 – \$7,917) were made to former employees for severance and other restructuring costs. The remaining severance and restructuring accruals of \$2,773 at December 31, 2016 are expected to be paid in 2017 and in 2018.

ONEROUS CONTRACTS

During the year ended December 31, 2016, DATA closed a Richmond Hill, Ontario facility. A lease exit charge of \$429, representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2019.

During the year ended December 31, 2015, DATA closed a Brampton, Ontario warehouse and a Calgary, Alberta facility. Lease exit charges of \$719 and \$669, representing the liabilities, at present value, for the

remaining lease costs under each lease agreement and building maintenance costs at each location, were recorded and will be paid over the remaining term of the leases, which expired in 2016.

During the year ended December 31, 2015, DATA also closed a Vancouver, British Columbia facility. A lease exit charge of \$941, representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2018.

10 Credit facilities

	December 31, 2016	December 31, 2015
Term loans		
- 4.86% bankers' acceptances, matured January 16, 2016	\$ —	\$ 35,750
- floating rate debt, maturing March 10, 2018	2,920	—
- 6.95% term debt, maturing March 10, 2023	25,611	—
Revolving facilities		
- 4.86% bankers' acceptances, matured January 16, 2016	—	7,500
- floating rate debt, maturing March 10, 2019	7,514	—
Credit facilities	36,045	43,250
Unamortized transaction costs	(1,003)	(155)
	\$ 35,042	\$ 43,095
Less: Current portion of Credit facilities	(5,886)	(43,095)
Credit facilities	\$ 29,156	\$ —

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

In March 2016, DATA established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing

term loan facility (the "IAM IV Credit Facility") with Integrated Private Debt Fund IV LP ("IAM IV") a loan managed by Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DATA and the Bank (the "Bank Credit Agreement") and IAM (as amended, the "IAM IV Credit Agreement"), respectively. Approximately \$43,250 of the total principal amount available to DATA under the IAM IV Credit Agreement and the Bank Credit Agreement was used to fully repay DATA's outstanding indebtedness under its Former Credit Facilities. As at March 11, 2016, DATA had outstanding borrowings of \$15,931 and letters of credit

granted of \$2,159 under the Bank Credit Facility, and outstanding borrowings of \$28,000 under the IAM IV Credit Facility.

The Bank Credit Facility has a maximum available principal amount of \$25,000. A portion of the Bank Credit Facility consists of a non-revolving term credit facility (the "Bank Term Facility") in a maximum principal amount of \$5,000 as well as a committed treasury facility pursuant to which the Bank may, in its sole discretion, agree to enter into non-speculative hedging arrangements, subject to certain restrictions. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$25,000 and a fixed percentage of DATA's aggregate accounts receivable and inventory (less certain amounts). The Bank Term Facility is a sub facility of the Bank Credit Facility and is available by way of a single advance of \$5,000 and its availability is not based on DATA's accounts receivable or inventories. The proceeds of the Bank Term Facility were used by DATA to repay indebtedness owing by it under the senior credit facilities previously maintained by DATA with a syndicate of Canadian chartered banks. Advances under the Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 75 basis points. The Bank Term Facility matures on the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement and monthly principal repayments of \$208 made on the Bank Term Facility will not reduce the total available principal amount under the Bank Credit Facility. The Bank Credit Facility matures on the earlier of March 10, 2019 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement. DATA has capitalized transaction costs of \$625 related to this facility and the amortization of these costs is recognized over the term of this facility. As at December 31, 2016, the unamortized transaction costs related to this facility were \$457. At December 31, 2016, DATA had outstanding borrowings of \$10,434 and letters of credit granted of \$1,132 under the Bank Credit Facility and all of DATA's indebtedness outstanding under the Bank Credit

Facility was subject to a floating interest rate of 3.45% per annum. Under the Bank Credit Facility, DATA had access to \$8,888 of available credit at December 31, 2016.

The IAM IV Credit Facility matures on March 10, 2023 and has a maximum available principal amount of \$28,000. Indebtedness outstanding under the IAM IV Credit Facility bears interest at a fixed rate equal to 6.95% per annum. Under the terms of the IAM IV Credit Agreement, DATA is required to make mandatory blended equal monthly repayments of principal and interest such that, on maturity, advances under the IAM IV Credit Facility and applicable interest on those advances will have been fully repaid. Monthly blended principal and interest repayments of \$422 and an April 2016 blended principal and interest repayment of \$448 cannot be reborrowed. DATA has capitalized transaction costs of \$665 related to this facility and the amortization of these costs is recognized over the term of this facility. As at December 31, 2016, the unamortized transaction costs related to this facility were \$546. Under the terms of the IAM IV Credit Agreement, DATA is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM IV Credit Facility. As at December 31, 2016, there was a balance of \$425 in the blocked account which is recognized as restricted cash on the consolidated statement of financial position. As at December 31, 2016, DATA had outstanding borrowings of \$25,611 under the IAM IV Credit Facility.

Both the Bank Credit Agreement and the IAM IV Credit Agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DATA without the consent of the Bank or IAM, as applicable. Under the terms of the IAM IV Credit Agreement, DATA has agreed that it will not, without the prior written consent of IAM, change (or permit any

change) in its Chief Executive Officer, President or Chief Financial Officer, provided that, if he or she voluntarily resigns as an officer of DATA, or if any such person has either died or is disabled and can therefore no longer carry on his or her duties of such office, DATA will have 60 days to replace such officer, such replacement officer to be satisfactory to IAM, acting reasonably. The Bank Credit Facility limits spending on capital expenditures by DATA to an aggregate amount not to exceed \$5,500 during any fiscal year, and the IAM IV Credit Agreement limits the incurrence of capital expenditures to no more than \$5,000 in any fiscal year.

Under the terms of the IAM IV Credit Agreement, DATA must ensure that the aggregate of the principal amount outstanding under the IAM IV Credit Facility and the principal amount outstanding under the Bank Credit Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Senior Funded Debt"), does not exceed \$50,000; and DATA must maintain (i) a ratio of Senior Funded Debt to EBITDA (as defined below) for its four most recently completed fiscal quarters of not greater than the following levels: from the date of the advance up to March 31, 2017 – 3.25 to 1; from April 1, 2017 up to March 31, 2018 – 3.00 to 1; and on and after April 1, 2018 – 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. During the quarter ended June 30, 2016, DATA and IAM amended the terms of the IAM IV Credit Agreement to exclude the aggregate principal amount of the 6.00% Convertible Debentures from current liabilities for the purposes of calculating the working capital ratio for the period from June 29, 2016 to June 30, 2017. For purposes of the Bank Credit Agreement and the IAM IV Credit Agreement, "EBITDA" means net income or net loss for the relevant period, calculated on a consolidated basis in accordance with generally accepted accounting principles, plus amounts deducted, or minus amounts added, in calculating net income or net loss in respect of: the aggregate expense incurred for interest on debt and other costs of obtaining credit; income taxes, whether or not deferred; depreciation and amortization; non-cash expenses resulting from employee or

management compensation, including the grant of stock options or restricted options to employees; any gain or loss attributable to the sale, conversion or other disposition of property out of the ordinary course of business; interest or dividend income; foreign exchange gain or loss; gains resulting from the write up of property and losses resulting from the write down of property (except allowances for doubtful accounts receivable and non-cash reserves for obsolete inventory); any gain or loss on the repurchase or redemption of any securities (including in connection with the early retirement or defeasance of any debt); goodwill and other intangible asset write-downs; and any other extraordinary, non recurring or unusual items as agreed to by the lender. As at December 31, 2016, the ratio of Senior Funded Debt to EBITDA was 2.38, the debt service coverage ratio was 1.95 and the working capital current ratio was 1.45.

Under the terms of the Bank Credit Agreement, DATA must maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DATA to service its outstanding debt for such period. As at December 31, 2016, the fixed charge coverage ratio was 1.56.

A failure by DATA to comply with its obligations under either of the Bank Credit Agreement or the IAM IV Credit Agreement, together with certain other events, including a change of control of DATA and a change in DATA's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. Based on the 2017 operating plan, DATA anticipates it will be in compliance with the covenants in its credit facilities throughout 2017; however there can be no assurance

that DATA will be successful in achieving the results targeted in its operating plan for the 2017 fiscal year.

Each of the Bank Credit Facility and the IAM IV Credit Facility is secured by conventional security charging all of the property and assets of DATA and its affiliates.

The payment of the principal of, and interest on, DATA's outstanding 6.00% Convertible Debentures is subordinated in right of payment to the prior payment in full of DATA's indebtedness under the Bank Credit Agreement and the IAM IV Credit Agreement.

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

	December 31, 2016
2017	5,886
2018	4,057
2019	11,407
2020	4,173
2021 and thereafter	10,522
	\$ 36,045

Subsequent to the year ended December 31, 2016, DATA amended its Senior Funded Debt with the Bank and IAM. See note 25 for further details.

11 Convertible debentures

	December 31, 2016	December 31, 2015
6.00% Convertible Debentures, maturing June 30, 2017, interest payable in June and December, convertible at 0.8196 common shares per \$1,000 of debenture	\$ 11,129	\$ 11,044
Unamortized transaction costs	(47)	(132)
	\$ 11,082	\$ 10,912
Less: Current portion of Convertible debentures	11,082	—
Convertible debentures	\$ —	\$ 10,912

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

in DATA's subsequent filings with Canadian securities regulatory authorities). See note 17.

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

95% of the current market price of the Common Shares on the date fixed for redemption or the maturity date. DATA capitalized transaction costs of \$2,266 related to this issuance and the amortization of these costs is recognized over the term of the 6.00% Convertible Debentures. As at December 31, 2016, \$47 (2015 – \$132) of these transaction costs remain unamortized.

REDEMPTION OF 6.00% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES FOR SHARES

DATA redeemed \$33,530 aggregate principal amount of its \$44,705 outstanding 6.00% Convertible Debentures on December 23, 2015 (the “Redemption Date”). DATA elected to satisfy its redemption payment obligation by issuing and delivering Common Shares to holders of the 6.00% Convertible Debentures, in lieu of cash. On redemption, holders of the 6.00% Convertible Debentures redeemed received:

- (i) a number of Common Shares equal to the principal amount of 6.00% Convertible Debentures redeemed on the Redemption Date divided by 95% of the volume-weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ended on December 16, 2015, and (ii) a cash payment equal to accrued and unpaid interest on the 6.00% Convertible Debentures redeemed up to but excluding the Redemption Date, less any applicable withholding taxes. The redemption of the 6.00% Convertible Debentures was completed in accordance with the terms of the amended and restated trust indenture dated as of January 1, 2012 (the “Trust Indenture”) between DATA and Computershare Trust Company of Canada (the “Debenture Trustee”), which governs the 6.00% Convertible Debentures, and did not require the consent of 6.00% Convertible Debenture holders.

On the Redemption Date, DATA issued a total of 975,262,140 Common Shares (or 9,752,622 post-consolidation Common Shares) see (note 17), which, based on the formula described above, was calculated using a pre-share consolidation volume-weighted average trading price of \$0.03619 per share. Under

IFRS, the Common Shares issued were determined to have a fair value on the Redemption Date of \$0.02 per share on a pre-share consolidation basis. Common Shares having a fair value of \$19,505 were issued to satisfy the redemption price of the 6.00% Convertible Debentures redeemed on the Redemption Date, which had a carrying value of \$32,735 on that date. This resulted in a gain on redemption of convertible debentures of \$13,230 under IFRS. A total of \$523 of transaction costs were incurred to execute the redemption. Of the total costs, \$59 were directly attributable to the issuance of the Common Shares and were netted against the increase in shares. The remaining costs of \$464 were directly attributable to the redemption of the 6.00% Convertible Debentures and were expensed and netted against the gain on redemption of convertible debentures within the consolidated statement of operations. DATA also made a cash payment of \$970 representing the accrued and unpaid interest on the 6.00% Convertible Debentures redeemed up to but excluding the Redemption Date, less any applicable withholding taxes.

The redemption resulted in a reduction of \$385 of conversion options being written off to contributed surplus.

NORMAL COURSE ISSUER BID

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

12 Income taxes

Significant components of DATA's deferred income tax assets and liabilities as of December 31, 2016 and 2015 are as follows:

December 31, 2016	Assets		Liabilities		Net
Pension obligations and other post-employment benefit plans	\$	2,414	\$	—	\$ 2,414
Unfavourable lease obligation		207		—	207
Lease escalation		344		—	344
Benefit of income tax loss and other carry-forwards		1,619		—	1,619
Deferred finance fees		149		—	149
Deductible reserves		607		—	607
Tax credit carry-forwards		238		—	238
Convertible debentures		—		(12)	(12)
Property, plant and equipment		—		(840)	(840)
Intangible assets		—		(867)	(867)
Other		—		(20)	(20)
Total deferred income tax assets (liabilities)	\$	5,578	\$	(1,739)	\$ 3,839

December 31, 2015	Assets		Liabilities		Net
Pension obligations and other post-employment benefit plans	\$	2,649	\$	—	\$ 2,649
Unfavourable lease obligation		216		—	216
Lease escalation		200		—	200
Deferred finance fees		130		—	130
Deductible reserves		1,166		—	1,166
Tax credit carry-forwards		125		—	125
Convertible debentures		—		(34)	(34)
Property, plant and equipment		—		(1,083)	(1,083)
Intangible assets		—		(1,321)	(1,321)
Tax related to tax credit carry-forwards		—		(33)	(33)
Other		—		(21)	(21)
Total deferred income tax assets (liabilities)	\$	4,486	\$	(2,492)	\$ 1,994

As at December 31, 2016, DATA recorded net deferred income tax assets of \$3,839 (2015 – \$2,070) and net deferred income tax liabilities of \$nil (2015 – \$76) in its consolidated statements of financial position.

Changes in deferred income tax assets and liabilities during the years ended December 31, 2016 and 2015 are as follows:

	Balance at January 1, 2016	Other	Recognized in statement operations	Recognized in comprehensive loss	Balance at December 31, 2016
Pension obligations and other post-employment benefit plans	\$ 2,649	\$ —	\$ (316)	\$ 81	\$ 2,414
Unfavourable lease obligation	216	—	(9)	—	207
Lease escalation	200	—	144	—	344
Benefit of income tax loss and other carry-forwards	—	—	1,619	—	1,619
Deferred finance fees	130	—	19	—	149
Deductible reserves	1,166	—	(559)	—	607
Tax credit carry-forwards	125	113	—	—	238
	\$ 4,486	\$ 113	\$ 898	\$ 81	\$ 5,578
Convertible debentures	\$ (34)	\$ —	\$ 22	\$ —	\$ (12)
Property, plant and equipment	(1,083)	—	243	—	(840)
Intangible assets	(1,321)	—	454	—	(867)
Tax related to tax credit carry-forwards	(33)	—	33	—	—
Other	(21)	2	(1)	—	(20)
	\$ (2,492)	\$ 2	\$ 751	\$ —	\$ (1,739)
Deferred income tax assets (liabilities), net	\$ 1,994	\$ 115	\$ 1,649	\$ 81	\$ 3,839

	Balance at January 1, 2015	Other	Recognized in statement operations	Recognized in comprehensive loss	Balance at December 31, 2015
Pension obligations and other post-employment benefit plans	\$ 3,035	\$ —	\$ (345)	\$ (41)	\$ 2,649
Unfavourable lease obligation	68	—	148	—	216
Lease escalation	152	—	48	—	200
Benefit of income tax loss and other carry-forwards	914	—	(914)	—	—
Deferred finance fees	—	—	130	—	130
Deductible reserves	657	—	509	—	1,166
Tax credit carry-forwards	—	125	—	—	125
	\$ 4,826	\$ 125	\$ (424)	\$ (41)	\$ 4,486
Convertible debentures	\$ (190)	\$ —	\$ 156	\$ —	\$ (34)
Property, plant and equipment	(1,279)	—	196	—	(1,083)
Intangible assets	(1,712)	—	391	—	(1,321)
Deferred finance fees	(155)	—	155	—	—
Benefit of other carry-forwards	—	—	(33)	—	(33)
Other	(32)	(10)	21	—	(21)
	\$ (3,368)	\$ (10)	\$ 886	\$ —	\$ (2,492)
Deferred income tax assets (liabilities), net	\$ 1,458	\$ 115	\$ 462	\$ (41)	\$ 1,994

The realization of the deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Based on management's projections of future taxable income and tax planning strategies, management expects to realize these net deferred income tax assets in advance of expiry. As at December 31, 2016, DATA has non-capital tax loss carry-forwards of \$6,434 (2015 – \$nil). The non-capital tax loss carry-forwards expire in varying amounts from 2033 to 2036.

In the ordinary course of business, DATA and its subsidiary and predecessors have entered into transactions where the ultimate tax determination may be uncertain. These uncertainties require management to make estimates of the ultimate tax liabilities and, accordingly, the provision for income taxes. Since there are inherent uncertainties, additional tax liabilities may result if tax matters are ultimately resolved or settled at amounts different from those estimates.

The major components of income tax (recovery) expense for the years ended December 31, 2016 and 2015 are set out below:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current income tax expense:		
Current tax on profits for the year	\$ 397	\$ 1,191
Recovery of taxes for prior periods	(195)	—
Adjustment to current income tax on filing	1,370	—
Total current income tax expense	1,572	1,191
Deferred income tax recovery:		
Origination and reversal of temporary differences described above	(279)	(462)
Adjustment to deferred income tax on filing	(1,370)	—
Total deferred income tax recovery	(1,649)	(462)
Total income tax (recovery) expense for the year	\$ (77)	\$ 729

For the year ended December 31, 2016, deferred income tax recovery on the recognition of actuarial gains (losses) related to DATA's defined benefit plans of \$81 (2015 – \$41 expense) were recognized in the statements of comprehensive loss.

The following are reconciliations of income tax (recovery) expense calculated at the statutory rate of Canadian corporate income taxes below for the years ended December 31, 2016 and 2015.

	For the year ended December 31, 2016	For the year ended December 31, 2015
Loss before income taxes	\$ (32,184)	\$ (18,443)
Expected income tax recovery calculated at statutory income tax rate ⁽¹⁾	(8,413)	(4,775)
Adjustment to income taxes resulting from:		
Difference between Canadian rates and rates applicable to subsidiary in another country	124	171
Impairment of goodwill	8,122	6,731
Gain on redemption of convertible debentures	—	(1,310)
Non-deductible expenses and other items	90	(88)
Total income tax (recovery) expense for the year	\$ (77)	\$ 729

(1) The calculation of the current income tax is based on a combined federal and provincial statutory income tax rate of 26.14% (2015 – 25.89%).

The current tax rate for the current year is 0.25% higher than 2015 due to the effect of changes in statutory tax rates and the allocation of taxable income between provinces. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is

settled. Deferred income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 25.28% (2015 – 25.63%) based on the tax rates in years when the temporary differences are expected to reverse.

13 Other non-current liabilities

	December 31, 2016	December 31, 2015
Deferred lease inducement	\$ 793	\$ 828
Lease escalation liabilities	1,321	768
Finance lease liabilities	—	18
Loan payable	151	342
	\$ 2,265	\$ 1,956
Less: Current portion of other non-current liabilities	(574)	(594)
	\$ 1,691	\$ 1,362

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

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

leases are recognized in the consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2017 to 2028.

During the year ended December 31, 2016, DATA entered into a lease extension agreement for its Brampton, Ontario facility that included lease inducements which were deferred and are recognized over the life of the lease, expiring in 2025.

During the year ended December 31, 2015, DATA entered into a lease agreement for its Calgary, Alberta facility that included lease inducements which were deferred and are recognized over the life of the lease, expiring in 2022. During the year ended December 31, 2016, DATA entered into a lease extension agreement for this Calgary, Alberta facility, expiring in 2027.

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

14 Pension obligations, assets and expenses

Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Communications Management Pension Plan. Annual actuarial valuations are required on the DATA Communications Management Pension Plan until the solvency deficiency is reduced to a level under which the applicable pension regulations allow the valuations to be completed every three years. At January 1, 2014, the solvency deficiency had reduced to a level such that actuarial valuations are to be completed every three years. Based on those valuations, the annual cash contributions in respect of the defined benefit provision of the DATA Communications Management Pension Plan are depended 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. Under applicable pension regulations, the plan's solvency deficiency can be funded over a maximum period of five years.

During the year ended December 31, 2014, DATA engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2014, the DATA Communications

Management Pension Plan had a reduced solvency deficit from January 1, 2013. Based upon the January 1, 2014 actuarial valuation report, DATA's annual cash contribution to the defined benefit provision of the DATA Communications Management Pension Plan was \$1,311 for the year (2015 – \$1,311). During the year ended December 31, 2016, DATA made all the required payments related to its funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2016, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2014.

The following is a summary of DATA's net pension obligations:

	December 31, 2016	December 31, 2015
Present value of funded obligations	\$ 60,559	\$ 59,929
Less: Fair value of plan assets	(62,148)	(60,699)
Surplus of funded plans	(1,589)	(770)
Present value of unfunded obligations	8,340	8,354
Pension obligations, net	\$ 6,751	\$ 7,584

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS

		Funded	Unfunded	December 31, 2016
Balance – Beginning of year	\$	59,929	\$ 8,354	\$ 68,283
Interest expense		2,412	315	2,727
Benefits paid		(3,531)	(567)	(4,098)
Re-measurements:				
– Loss from change in financial assumptions		1,776	162	1,938
– Experience (gains) losses		(27)	76	49
Balance – End of year	\$	60,559	\$ 8,340	\$ 68,899

		Funded	Unfunded	December 31, 2015
Balance – Beginning of year	\$	61,455	\$ 8,623	\$ 70,078
Interest expense		2,416	317	2,733
Benefits paid		(3,023)	(567)	(3,590)
Re-measurements:				
– Gain from change in financial assumptions		(900)	(85)	(985)
– Experience (gains) losses		(19)	66	47
Balance – End of year	\$	59,929	\$ 8,354	\$ 68,283

CHANGE IN THE FAIR VALUE OF PLAN ASSETS

		Funded		Unfunded	December 31, 2016
Balance – Beginning of year	\$	60,699	\$	–	\$ 60,699
Interest income		2,463		–	2,463
Employer contributions		1,311		567	1,878
Benefits paid		(3,531)		(567)	(4,098)
Administrative expenses paid from plan assets		(325)		–	(325)
Re-measurements:					
– Return on plan assets, excluding amounts included in interest income		1,531		–	1,531
Balance – End of year	\$	62,148	\$	–	\$ 62,148

		Funded		Unfunded	December 31, 2015
Balance – Beginning of year	\$	61,129	\$	–	\$ 61,129
Interest income		2,424		–	2,424
Employer contributions		1,311		567	1,878
Benefits paid		(3,023)		(567)	(3,590)
Administrative expenses paid from plan assets		(300)		–	(300)
Re-measurements:					
– Return on plan assets, excluding amounts included in interest income		(842)		–	(842)
Balance – End of year	\$	60,699	\$	–	\$ 60,699

DATA COMMUNICATIONS MANAGEMENT PENSION PLAN ASSET COMPOSITION

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Quoted	Percentage of plan assets	Quoted	Percentage of plan assets
Domestic equities	\$ 4,660		\$ 3,687	
Foreign equities	5,591		5,164	
Equity instruments	\$ 10,251	16%	\$ 8,851	14%
Short and mid-term bonds	\$ 9,652		\$ 10,241	
Long-term bonds	38,208		37,570	
Commercial mortgages	3,443		3,677	
Debt instruments	\$ 51,303	83%	\$ 51,488	85%
Cash and cash equivalents	\$ 594	1%	\$ 360	1%
Total	\$ 62,148	100%	\$ 60,699	100%

ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENTS OF OPERATIONS

		Funded	Unfunded	December 31, 2016
Administration expenses	\$	325	\$ —	\$ 325
Interest expense		2,412	315	2,727
Interest income		(2,463)	—	(2,463)
Total net interest expense		(51)	315	264
Defined benefit expense recognized	\$	274	\$ 315	\$ 589

		Funded	Unfunded	December 31, 2015
Administration expenses	\$	300	\$ —	\$ 300
Interest expense		2,416	317	2,733
Interest income		(2,424)	—	(2,424)
Total net interest expense		(8)	317	309
Defined benefit expense recognized	\$	292	\$ 317	\$ 609

AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE LOSS

		Funded	Unfunded	December 31, 2016
Re-measurements:				
- Loss from change in financial assumptions	\$	1,776	\$ 162	\$ 1,938
- Experience (gains) losses		(27)	76	49
- Return on plan assets, excluding amounts included in interest income		(1,531)	—	(1,531)
		218	238	456
Deferred income tax effect		(57)	(62)	(119)
Defined benefit expense recognized	\$	161	\$ 176	\$ 337

		Funded	Unfunded	December 31, 2015
Re-measurements:				
- Gain from change in financial assumptions	\$	(900)	\$ (85)	\$ (985)
- Experience (gains) losses		(19)	66	47
- Return on plan assets, excluding amounts included in interest income		842	—	842
		(77)	(19)	(96)
Deferred income tax effect		20	5	25
Defined benefit recovery recognized	\$	(57)	\$ (14)	\$ (71)

DATA manages its pension plans by meeting with an actuarial consultant and the fund managers on a regular basis and reviews 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.

SIGNIFICANT ACTUARIAL ASSUMPTIONS ADOPTED IN MEASURING DATA'S DEFINED BENEFIT OBLIGATIONS

	December 31, 2016	December 31, 2015
DATA Communications Management Pension Plan		
Discount rate	3.90%	4.10%
Rate of compensation increase	3.00%	3.00%
SERP		
Discount rate	3.70%	3.90%

DATA decreased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2016 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2016.

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, 2016	December 31, 2015
Retiring at the end of the reporting period:		
Male	21.6	21.5
Female	24.1	24.0
Retiring in 25 years after the end of the reporting period:		
Male	22.3	22.9
Female	25.3	25.2

Through its defined benefit plans, DATA 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 Communications Management Pension Plan currently holds a small proportion of equities, 16% 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 Communications Management 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 Communications Management 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 Communications Management 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 Communications Management Pension Plan lowered its interest rate risk, inflation risk and equity risk. In 2011, the defined benefit provision of the DATA Communications Management Pension Plan had 60% equities and 40% bonds. In 2026, the defined benefit provision of the DATA Communications Management Pension Plan was expected to have 15% equities and 85% bonds. This derisking strategy is 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 Communications Management Pension Plan. With a significant improvement in the financial position, the defined benefit provision of the DATA Communications Management Pension Plan asset mix was moved to 15% equities and 85% bonds, with the bond portfolio being adopted with liability cash flow matching characteristics. There were no significant changes in the investment strategy during 2016.

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.

The sensitivity of the defined benefit obligations to changes in assumptions at December 31, 2016 and at December 31, 2015 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.

December 31, 2016				
Impact on defined benefit obligations				
	Change in assumption	Increase in assumption	Decrease in assumption	
Discount rate	0.25%	\$ (2,410)	\$	2,545
Salary growth rate	0.25%	754		(775)
		Increase by 1 year in assumption	Decrease by 1 year in assumption	
Life expectancy		\$ 1,816	\$	(1,857)

December 31, 2015				
Impact on defined benefit obligations				
	Change in assumption	Increase in assumption	Decrease in assumption	
Discount rate	0.25%	\$ (2,364)	\$	2,505
Salary growth rate	0.25%	693		(711)
		Increase by 1 year in assumption	Decrease by 1 year in assumption	
Life expectancy		\$ 1,668	\$	(1,708)

Each sensitivity analysis disclosed in this note 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 statements of financial position.

The weighted average duration of the defined benefit obligations is 14.4 years (2015 – 14.3 years).

Expected maturity analysis of undiscounted pension benefits:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Between 5 to 10 years
At December 31, 2016	\$ 2,893	\$ 6,106	\$ 6,762	\$ 18,684
At December 31, 2015	\$ 2,782	\$ 5,839	\$ 6,433	\$ 18,096

The annual pension expense for the defined contribution provision of the DATA Communications Management Pension Plan is based on the amounts contributed in respect of eligible employees. The annual pension expense for the SRDF, which is accounted for as a defined contribution plan, is based on amounts contributed based on a percentage of wages of unionized employees who are covered by the respective collective bargaining agreements, all of whom are employed at DATA facilities located in the Province of Québec.

DATA's pension expense related to DATA's defined contribution plans are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Defined contribution plan	\$ 1,493	\$ 1,720
Defined benefit multi-employer plan	\$ 570	\$ 640

DATA expects that, in 2017, contributions to the defined benefit provision of the DATA Communications Management Pension Plan will be approximately \$1,311, contributions to the defined contribution provision of

the DATA Communications Management Pension Plan will be approximately \$1,471, contributions to the SERP will be approximately \$567 and contributions to the SRDF will be approximately \$579.

15 Other post-employment benefit plans

Costs related to non-pension post-employment and other long-term employee benefit plans are actuarially determined using the projected unit credit method, the actuarial present value of all future projected benefits

determined as at the valuation date and management's best assumptions.

The following summarizes the change in the obligations related to DATA's non-pension post-employment and other long-term employee benefit plans:

	December 31, 2016	December 31, 2015
Balance – Beginning of year	\$ 2,563	\$ 2,876
Current service cost	289	284
Interest expense	99	120
Benefits paid	(203)	(260)
Re-measurements:		
– Gain from change in demographic assumptions	(250)	(150)
– Loss (gain) from change in financial assumptions	58	(20)
– Experience gains	(46)	(287)
Balance – End of year	\$ 2,510	\$ 2,563

ELEMENTS OF OTHER POST-EMPLOYMENT BENEFIT EXPENSE RECOGNIZED IN THE STATEMENTS OF OPERATIONS

	December 31, 2016	December 31, 2015
Current service cost	\$ 289	\$ 284
Interest expense	99	120
Re-measurements:		
– Experience gains	(91)	(394)
Benefit expense recognized	\$ 297	\$ 10

AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE LOSS

	December 31, 2016	December 31, 2015
Re-measurements:		
- Gain from change in demographic assumptions	\$ (207)	\$ —
- Loss (gain) from change in financial assumptions	40	(12)
- Experience losses (gains)	20	(51)
	(147)	(63)
Deferred income tax effect	38	16
Benefit recovery recognized	\$ (109)	\$ (47)

**SIGNIFICANT ACTUARIAL ASSUMPTIONS ADOPTED IN MEASURING
DATA'S OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS**

DATA OTHER LONG-TERM EMPLOYEE OBLIGATIONS	December 31, 2016	December 31, 2015
Discount rate	3.90%	4.10%
Health care cost trend rate – Initial	6.00%	6.10%
Health care cost trend rate declines by 2028 (2015 – 2028)	4.50%	4.50%

DATA NON-PENSION POST-EMPLOYMENT OBLIGATION	December 31, 2016	December 31, 2015
Discount rate	3.90%	4.10%
Health care cost trend rate – Initial	6.61%	6.58%
Health care cost trend rate declines by 2028 (2015 – 2028)	4.50%	4.50%

SENSITIVITY ANALYSIS ON OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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.

At December 31, 2016	Impact on other post-employment benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	\$ (46)	\$ 49
Health care cost trend rates	1.00%	165	(145)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		\$ (61)	\$ 62

At December 31, 2015	Impact on other post-employment benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	\$ (48)	\$ 50
Health care cost trend rates	1.00%	182	(163)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		\$ 84	\$ (80)

Expected maturity analysis of undiscounted other post-employment benefits:

	Less than a year		Between 1 to 2 years		Between 2 to 5 years		Between 5 to 10 years	
At December 31, 2016	\$	267	\$	450	\$	427	\$	887
At December 31, 2015	\$	264	\$	483	\$	443	\$	980

DATA expects that, in 2017, contributions to its other post-employment benefit plans will be approximately \$267.

16 Financial instruments

DATA's financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, trade payables, loans payable, credit facilities, and convertible debentures, as indicated in DATA's statements of consolidated financial position as at December 31, 2016 and 2015. DATA does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, trade receivables, trade payables and loans payable approximates their carrying value because of the short-

term maturity of these instruments. The fair value of restricted cash approximates its carrying value because it is a deposit held with a Canadian chartered bank.

The fair value of DATA's Credit Facilities are equivalent to their carrying value since their interest rates are comparable to market rates. The 6.00% Convertible Debentures are listed for trading on the 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 \$10,616 at December 31, 2016 compared to a book value of \$11,082 for the debt portion and of \$128 for the conversion options recorded at its historical value.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values and the fair values of DATA's financial instruments are classified into the categories listed below as at December 31, 2016 and as at

December 31, 2015. All financial assets and financial liabilities listed are categorized as level 1 inputs in the fair value hierarchy. There were no transfers between levels 1, 2 or 3 during the year.

December 31, 2016	Carrying Value	Fair Value
Loans and receivables ⁽¹⁾	\$ 31,126	\$ 31,126
Financial liabilities at amortized cost ⁽²⁾	\$ 72,018	\$ 71,505

December 31, 2015	Carrying Value	Fair Value
Loans and receivables ⁽¹⁾	\$ 39,264	\$ 39,264
Financial liabilities at amortized cost ⁽²⁾	\$ 82,400	\$ 78,356

(1) Includes cash and cash equivalents, restricted cash and trade receivables.

(2) Includes trade payables (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities), loan payable, credit facilities and convertible debentures.

There are no financial instruments recorded at fair value in the consolidated statements of financial position as at December 31, 2016 and 2015.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

DATA is exposed to various risks as it relates to financial instruments. These risks and the processes for managing the risk are set out below.

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 to credit risk consisted of cash and cash equivalents and trade receivables. The carrying amount of assets included in the consolidated statements of financial position represents the maximum credit exposure.

The cash equivalents consisted mainly of short-term investments, such as money market deposits. DATA has deposited the cash equivalents with Canadian Schedule 1 banks, from which management believes the risk of loss to be remote.

DATA grants credit to customers in the normal course of business. DATA 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 has trade receivables from clients engaged in various industries including financial institutions, insurance, healthcare, lottery and gaming, retailing, not-for-profit, energy and governmental agencies that are not concentrated in any specific geographic area. DATA 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's large client base.

Based on historical experience, DATA 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'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, 2016, 3.7% (or \$1,102), of trade receivables were more than

90 days old, an increase from 3.2% (or \$1,217), of trade receivables that were more than 90 days old at December 31, 2015. The movement in DATA's allowance for doubtful accounts for 2016 and 2015 are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Balance – Beginning of period	\$ 526	\$ 660
Provisions and revisions	(86)	(134)
Balance – End of period	\$ 440	\$ 526

LIQUIDITY RISK

Liquidity risk is the risk that DATA may encounter difficulties in meeting obligations associated with financial liabilities as they become due. As at December 31, 2016, DATA had access to \$10,020 of

additional available credit less letters of credit granted of \$1,132 under the Bank Credit Facility. See note 25 for details of the amendments to the Bank Credit Facility on January 31, 2017.

The contractual undiscounted cash flows of DATA's significant financial liabilities are as follows:

December 31, 2016	Less than a year	1 to 3 years	4 years and greater	Total
Trade payables	\$ 27,304	\$ –	\$ –	\$ 27,304
Loan payable	151	–	–	151
Long-term debt ⁽¹⁾	7,866	23,407	11,952	43,225
Convertible debentures ⁽²⁾	11,510	–	–	11,510
Total	\$ 46,831	\$ 23,407	\$ 11,952	\$ 82,190

December 31, 2015	Less than a year	1 to 3 years	4 years and greater	Total
Trade payables	\$ 29,766	\$ –	\$ –	\$ 29,766
Loan payable	228	141	–	369
Long-term debt ⁽¹⁾	44,608	–	–	44,608
Convertible debentures ⁽²⁾	671	11,510	–	12,181
Total	\$ 75,273	\$ 11,651	\$ –	\$ 86,924

- (1) Bank Credit Facility, expiring on March 10, 2019. As at December 31, 2016, the outstanding balance totalled \$10,434 and bore interest at an average floating rate of 3.45% per annum. The outstanding balance will be reduced by monthly principal repayments of \$208 ending February 1, 2018, a principal payment of \$8 on March 10, 2018 and principal repayment of \$7,514 on March 10, 2019. The amounts at December 31, 2016 include estimated interest totalling \$320 for 2017, \$261 for 2018 and \$44 for 2019. IAM IV Credit Facility, expiring on March 10, 2023. As at December 31, 2016, the outstanding balance totalled \$25,611 and bore interest at a fixed rate of 6.95% per annum. Monthly blended principal and interest payments of \$422. Former Credit Facilities, expired on August 31, 2016. As at December 31, 2015, the outstanding balance totalled \$43,250 and bore interest at an average floating rate of 4.86% per annum. The outstanding balance was reduced by principal repayments on March 31 and June 30 of 2016. The amounts at December 31, 2015 include estimated interest totalling \$1,358 for 2016. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2015. See note 25 for details of changes to DATA's long-term debt subsequent to year end.
- (2) 6.00% Convertible Debentures, maturing on June 30, 2017, convertible at 0.8196 common shares per \$1,000 of debenture. The aggregate principal amount totalled \$11,175 as at December 31, 2016 and 2015. The amounts at December 31, 2016 include interest totalling \$335 for 2017. The amounts at December 31, 2015 include interest totalling \$671 for 2016 and \$335 for 2017.

DATA also has significant contractual obligations in the form of operating leases (note 20), as well as contingent obligations in the form of letters of credit. DATA 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 its 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 its pension plans, maintenance capital expenditures and interest and scheduled repayments of borrowings under its 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's interest rate risk arises from long-term debt issuances at floating interest rates.

At December 31, 2016, \$10,434 of DATA's indebtedness outstanding was subject to floating interest rates of 3.45% per annum; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in profit or loss and comprehensive income (loss) by \$171 for the year ended December 31, 2016 (2015 – \$456), respectively. At December 31, 2016, \$25,611 of DATA's indebtedness outstanding was subject to a fixed interest rate of 6.95% per annum. DATA's remaining outstanding 6.00% Convertible Debentures are subject to a fixed interest rate of 6.00% per annum.

CURRENCY RISK

Currency risk is the risk that the fair value of future cash flows arising from a financial instrument will fluctuate because of changes in foreign currency exchange rates. In the normal course of business,

DATA 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. Management considers the currency risk to be low and does not hedge its currency risk and therefore sensitivity analysis is not presented.

17 Shares

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

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

The following summarizes the change in number of issued and outstanding common shares during the periods below:

	Number of Common shares		Amount
Balance – January 1, 2016	9,987,528	\$	234,782
Shares issued – May 31, 2016	1,678,567		2,280
Shares issued – July 4, 2016	308,958		370
Balance – December 31, 2016	11,975,053	\$	237,432
Balance – January 1, 2015	234,906	\$	215,336
Shares issued – December 23, 2015	9,752,622		19,446
Balance – December 31, 2015	9,987,528	\$	234,782

On May 27, 2016, DATA announced that it intended to complete a non-brokered private placement of up to 198,751,793 common shares (or 1,987,525 post-consolidation common shares) (or approximately 19.9% of the then current number of outstanding common shares) at a price of \$0.014 per share (or \$1.40 per post-consolidation share) for gross proceeds to DATA of approximately \$2,783 in two tranches. On May 31, 2016, the first portion of the private placement was completed and DATA issued a total of 1,678,567 common shares for gross proceeds of \$2,350, less issue expenses of \$70 for net proceeds of \$2,280. On July 4, 2016, after receiving disinterested shareholder approval at DATA's annual and special meeting of shareholders held on June 30, 2016, DATA completed the second portion of the private placement announced on May 27, 2016 and issued 308,958 common shares for gross proceeds of \$433, less issue expenses of \$63 for net proceeds of \$370.

On December 23, 2015, DATA redeemed \$33,530 aggregate principal amount of its \$44,705 outstanding 6.00% Convertible Debentures and satisfied this obligation by issuing 975,262,140 common shares (or 9,752,622 post-consolidation common shares) of DATA. The share issuance was recorded based on the trading price on the day of the transaction of \$0.02 per share. Transaction costs related to the issuance of \$59 were deducted when recording the shares.

SHARE-BASED COMPENSATION

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

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

(a) Restricted share unit ("RSU")

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

A liability for RSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to compensation expense, as a

component of costs of revenues, selling, commissions and expenses, and general and administration expenses. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

	December 31, 2016 Number of RSUs	December 31, 2015 Number of RSUs
Balance - beginning of year	2,366	—
Units granted	452,371	3,186
Units forfeited	(425,199)	(551)
Units paid	—	(269)
Balance - end of year	29,538	2,366

During the year ended December 31, 2016, a total of 425,199 RSUs were granted to certain members of DATA's management team. Eligible participants received a number of performance RSUs based on a percentage of their base salaries at a price of \$1.75 per share, being the volume-weighted average trading price of DATA's common shares between December 23, 2015 and December 31, 2015, which would cliff vest on December 31, 2018, based on certain net income and share price performance hurdles being met by the end of December 31, 2016 and December 31, 2018, respectively. As at December 31, 2016, the net income hurdle was not met and therefore all of these RSUs were forfeited.

During the year ended December 31, 2016, compensation expense of \$17 (2015 – \$12) was recognized in the consolidated statement of operations related to RSUs granted.

During the year ended December 31, 2016, a total of 27,172 RSUs were granted to the president ("President") and the chief executive officer ("CEO") of DATA. These are non-performance RSUs which will cliff vest three years after the grant date. During the year ended December 31, 2015 a total of 3,186 RSUs were granted to senior executives at DATA, 551 RSUs were forfeited and 269 RSUs were paid in cash. Of the total outstanding RSUs at December 31, 2016, 234 (2015 – 117) have vested and are payable. The carrying amount of the liability relating to the RSUs at December 31, 2016 was \$17 (2015 – \$1).

(b) Option ("Option")

A summary of Option activities for the year ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Number of Options	Weighted average Exercise Price	Number of Options	Weighted average Exercise Price
Options outstanding - beginning of year	11,745	\$ 75.00	—	\$ —
Granted	987,011	1.50	11,745	75.00
Forfeited	(39,011)	1.50	—	—
Options outstanding - end of year	959,745	\$ 2.41	11,745	\$ 75.00
Exercisable	641,603	\$ 1.50	—	\$ —

The outstanding options had an exercise price range as follows:

	December 31, 2016 Number of Options	December 31, 2015 Number of Options
\$75.00	11,745	11,745
\$1.50	948,000	—
Options outstanding	959,745	11,745

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

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

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

option-pricing model and current market inputs, is revalued at each reporting date.

During the year ended December 31, 2016, the Board approved awards of options to purchase up to 987,011 common shares to the executive management team of DATA. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.50 per share, representing the fair value of the common shares on the date of grant. A total of 499,377 options were awarded to DATA's CEO and vested on June 23, 2016 and a total of

487,634 options were awarded to the other members of DATA's executive management team and vest at a rate of 1/24th per month beginning on June 23, 2016. During the year ended December 31, 2016, 39,011 of these options awarded to the executive management team were forfeited.

During the year ended December 31, 2016, compensation expense of \$779 (2015 – \$nil) was recognized in the consolidated statement of operations related to options granted.

18 Loss per share

	For the year ended December 31, 2016	For the year ended December 31, 2015
BASIC LOSS PER SHARE		
Net loss for the year attributable to common shareholders	\$ (32,107)	\$ (19,172)
Weighted average number of shares	11,125,518	475,382
Basic loss per share	\$ (2.89)	\$ (40.33)
DILUTED LOSS PER SHARE		
Net loss for the year attributable to common shareholders	\$ (32,107)	\$ (19,172)
Weighted average number of shares	11,125,518	475,382
Diluted loss per share	\$ (2.89)	\$ (40.33)

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

948,000 common shares where the market price of the common shares was higher than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

The prior year loss per share calculations have been retroactively adjusted to reflect the Share Consolidation. See note 17.

19 Changes in working capital

	For the year ended December 31, 2016	For the year ended December 31, 2015
Trade receivables	\$ 8,879	\$ (805)
Inventories	3,782	3,101
Prepaid expenses and other current assets	(520)	1,462
Trade payables	(2,378)	396
Deferred revenue	(2,144)	(633)
	\$ 7,619	\$ 3,521

20 Commitments and contingencies

DATA 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. Future commitments under non-cancellable operating leases are as follows:

	December 31, 2016
2017	\$ 11,239
2018	9,421
2019	8,614
2020	8,116
2021	7,221
2022 and thereafter	24,782
	\$ 69,393

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

DATA makes contributions to the Québec Graphics Communications Supplemental Retirement and Disability Fund of Canada (the "SRDF") based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DATA facilities located in the Province of Québec.

The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The SRDF is jointly-trusted by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. Based upon the terms of those applicable collective agreements, DATA's estimated annual funding obligation for the SRDF for 2017 is \$579. The most recent funding actuarial report (as at December 31, 2013) in respect of the Québec members of the plan disclosed a solvency deficiency and a gap between the minimum total contributions required

under applicable Québec pension legislation and total employer contributions determined pursuant to collective agreements.

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

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund solvency deficiencies;
- allow for the reduction of accrued benefits; and

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

In addition, another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a “Recovery Plan”. On October 31, 2016, DATA received a letter from the Board of Trustees administering the SRDF and was

advised that a form of Recovery Plan was filed with the Québec pension regulatory authorities in August 2016 and that plan members will be sent a personalised statement indicating the effect that the proposed plan will have on their respective pension entitlements. DATA understands that the Recovery Plan was approved in December 2016 and has been advised that employers’ obligations to fund any solvency deficiency have been eliminated in accordance with Bill 34. All participating employers will be receiving a copy of the decisions in the near future.

21 Capital structure

DATA’s objectives when managing its capital structure are:

- To seek to ensure sufficient liquidity to safe guard DATA’s ability to continue as a going concern.
- To maintain a strong capital base so as to maintain shareholders’, creditors’, customers’, suppliers’ and market confidence.
- To provide a return to shareholders.

DATA’s capital structure consists of various types of long-term debt and shareholder’s equity. DATA’s primary uses of capital are to finance increases in working capital, payments towards other long-term obligations, capital expenditures and acquisitions.

DATA’s Credit Facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests (see note 10). Management also uses Debt to EBITDA Ratio as a key indicator in managing DATA’s capital.

With respect to its equity, the current level of capital is considered adequate in the context of current operations and the present strategic plan of DATA. The equity component of capital increases primarily based upon the income of the business less any dividends paid. Management anticipates that any major acquisition or significant growth initiatives would be financed in part with additional equity and debt.

DATA’s capital structure is as follows:

	December 31, 2016	December 31, 2015
Credit facilities	\$ 35,042	\$ 43,095
Convertible debentures	11,082	10,912
Total long-term debt	\$ 46,124	\$ 54,007
Total equity (deficit)	\$ (9,935)	\$ 19,019

DATA is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its credit facilities, which relates mainly to permitted investments, acquisitions, lease agreements, dividends and subordinated debt.

22 Expenses by nature

	For the year ended December 31, 2016	For the year ended December 31, 2015
Raw materials and other purchases	\$ 140,691	\$ 153,336
Wages and benefits	94,297	101,938
Pension and other post-employment expenses	2,587	2,550
Occupancy costs	16,273	16,761
Restructuring expenses	4,200	13,560
Depreciation, amortization and impairments	37,210	32,703
Gain on cancellation of convertible debentures	—	(12,766)
Other expenses	11,305	8,880
Total cost of revenues and operating expenses	\$ 306,563	\$ 316,962

23 Segmented information

The chief executive officer (“CEO”) of DATA is the chief operating decision-maker (“CODM”). Management has determined that there is one operating segment based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. As a result of the organizational and operational changes implemented by DATA in 2015, DATA’s operations are increasingly integrated, interdependent and less focused on serving separate distribution channels and therefore, DATA’s former Multiple Pakfold operating segment has been included in one consolidated operating segment commencing in the quarter ended December 31, 2015. Management evaluates the performance of the reporting segment based on income before interest, finance costs and income taxes. Corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segment. All significant external sales are to customers located in Canada. DATA established operations in Niles, Illinois during the fourth quarter of 2012 in order to service the U.S. operations of a large customer and is seeking to grow its U.S. sales,

however at December 31, 2016, U.S. sales were not significant to disclose separately.

Warehousing revenues were approximately 6% of total consolidated revenues for the year ended December 31, 2016 and were approximately 7% of total consolidated revenues for the year ended December 31, 2015.

24 Related party transactions

Effective June 23, 2015, DATA appointed an insurance company as its broker of record for its corporate insurance policies and subsequently entered into new general corporate insurance policies, including the renewal of its directors and officers liability insurance later in the year. The insurance company continues as DATA’s broker of record and earns fees based on a percentage of the insurance expense paid by DATA. During the fiscal year, DATA recorded an insurance expense of \$480 (2015 – \$180) related to these policies. As at December 31, 2016, prepaid expenses and other current assets included prepaid insurance to the insurance company of \$259 (2015 – \$230). The insurance company is a related party whereby the Chair of the Board and the President of DATA each are Directors and indirectly have a minority interest in the insurance company, through companies controlled by them.

During the year ended December 31, 2016, the CEO and a minority shareholder of DATA participated in a private placement of common shares (see note 17), purchasing 1,297,724 common shares for consideration of \$1,817.

On December 21, 2016, DATA entered into a new agreement to lease approximately 2,000 square feet of office space in Toronto, Ontario from a company that the Chair of the Board and the President are Directors of. Under the lease agreement, the lease commences March 1, 2017, runs month-to-month and can be terminated by either party with reasonable notice. The monthly expense will be \$7 per month.

On February 22, 2017, DATA acquired all of the outstanding common shares of a company that was indirectly controlled by the Chair of the Board and the President of DATA, through companies controlled by them. See note 25 for further details.

These transactions are provided in the normal course of operations and are measured at the exchange amount, which represents the amount of consideration established and agreed to by the related parties.

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be the CEO, president, chief financial officer and other members of the senior executive team. Compensation awarded to key management personnel included:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Salaries and other short-term employee benefits	\$ 2,599	\$ 2,405
Termination and retirement benefits	—	1,135
Post-employment benefits	20	29
Share-based compensation expense	779	—
Total	\$ 3,398	\$ 3,569

The CEO was granted 145,566 RSUs (of which 120,477 RSUs were forfeited) and was granted options to purchase up to 499,377 common shares during the year (see note 17).

During the year ended December 31, 2016, DATA's general and administration expenses include a charge of \$372 (2015 – \$322) for the duties performed by DATA's Board.

25 Subsequent events

ACQUISITIONS OF ECLIPSE COLOUR AND IMAGING CORP. AND THISTLE PRINTING LIMITED

On February 22, 2017 (the "Closing Date"), DATA completed the acquisition (the "Eclipse Acquisition")

of substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse") and the acquisition (the "Thistle Acquisition") of all of the shares of Thistle Printing Limited ("Thistle").

Under the terms of the Eclipse Acquisition, DATA acquired from Eclipse substantially all of the assets of Eclipse for a net purchase price of approximately \$9,425. The purchase price was satisfied as follows: \$3,534 in cash, \$1,325 through the issuance of 634,263 Common Shares of DATA, and \$4,566 through the issuance of a secured, non-interest bearing vendor take-back promissory note, which is payable in two equal instalments on each of the first and second anniversaries of the Closing Date. The purchase price is subject to customary post-closing working capital and other adjustments. The acquisition of Eclipse

adds significantly expanded wide format, large format, and grand format printing capabilities to DATA's portfolio of products and services.

Under the terms of the Thistle Acquisition, DATA acquired all of the outstanding common shares of Thistle from Capri Media Group Inc. ("Capri"). Capri is a related party whereby companies controlled by the Chair of the Board and the President of DATA, respectively, control Capri. Thistle was acquired for a net purchase price of approximately \$6,058. The purchase price was satisfied as follows: \$1,107 in cash, \$1,457 through the issuance of 644,445 Common Shares of DATA, and \$3,494 in the form of a secured, non-interest bearing vendor take-back promissory note, which is payable in 24 equal monthly payments following the Closing Date. The purchase price is subject to customary post-closing working capital and other adjustments. This acquisition adds expertise in commercial printing, design, prepress and bindery services to DATA's portfolio, and complements DATA's current capabilities in direct mail, fulfilment and data management.

In aggregate, a total of 1,278,708 common shares of DATA were issued to the vendors of Eclipse and Thistle and the number of DATA's issued and outstanding common shares has increased from 11,975,053 to 13,253,761.

The purchase price accounting related to the Eclipse and Thistle acquisitions are in progress as at the date of the consolidated financial statements.

INCREASE IN SENIOR CREDIT FACILITIES AND AMENDMENT TO EXISTING TERMS

On January 31, 2017, DATA amended its Bank Credit Facility, including an increase in the total available commitment from up to \$25,000 to up to \$35,000 and the extension of the term by one year, to March 31, 2020. The amount available under the Bank Term Facility was increased to \$7,000, an increase from \$5,000 under the original sub facility. The Bank Term Facility will amortize in equal monthly payments over the new term of the Bank Credit Facility but such

reductions will not reduce the amount available under the revolving credit facility. The covenants under the Bank Credit Facility remain unchanged from the terms existing as of March 10, 2016, however the pro forma financial results for Eclipse and Thistle will be included on a trailing twelve month basis effective as of the Closing Date for the purposes of DATA's covenant calculations. The increased availability under the Bank Credit Facility was used in part, together with the additional availability under the Bank Term Facility, to finance the up-front cash components of the Eclipse and Thistle acquisitions and related transaction expenses and will also provide DATA with additional flexibility to continue to pursue its strategic growth objectives. In connection with these two acquisitions, DATA's indebtedness increased by approximately \$16,251, including assumed indebtedness of Eclipse and Thistle.

On January 31, 2017, DATA amended its IAM IV Credit Facility with IAM, which, among other things, provides that Senior Funded Debt of DATA may not exceed \$72,000 (after giving effect to the provisions of the inter-creditor agreement described below), an increase from \$50,000 in the original term loan facility dated March 10, 2016. The covenants under the IAM IV Credit Facility remain unchanged from the terms existing as of March 10, 2016 however the pro forma financial results for Eclipse and Thistle will be included on a trailing twelve month basis effective as of the Closing Date for the purposes of DATA's covenant calculations. In addition, on March 9, 2017, IAM consented, effective the quarter ending March 31, 2017, to modify the calculation of debt service coverage ratio under the provisions of the IAM IV Credit Agreement to include EBITDA (as defined in the IAM IV Credit Agreement) for the six most recently completed fiscal quarters (previously four most recently completed quarters) less income taxes actually paid in cash and the amount of capital expenditures actually incurred or paid during such period up to the amount permitted under this agreement, divided by the aggregate of (i) scheduled principal plus interest payments on the IAM IV Credit Facility and IAM III Credit Facility and (ii) projected

interest payments on the Bank Credit Facility for the next six quarters (previously four most recently completed quarters).

Integrated Private Debt Fund III LP ("IAM III"), another loan managed by IAM, is a senior secured lender to Thistle. There is an existing term loan in the amount of \$8,000 which amortizes in equal monthly payments over an 8 year term ending on October 15, 2022, with a fixed interest rate of 6.1% per annum ("IAM III Credit Facility").

On February 22, 2017, an amendment was made to the IAM III Credit Facility in which DATA will become a co-borrower with Thistle, pursuant to which the covenants will be amended to match those of DATA under its IAM IV Credit Facility and reported on a consolidated basis. As at February 22, 2017, Thistle had outstanding borrowings of \$5,533 under the IAM III Credit Facility.

On February 22, 2017, DATA entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the Eclipse Acquisition and the Thistle Acquisition, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DATA, Eclipse and Thistle.

RESTRUCTURING EXPENSES

On January 31, 2017, DATA announced the completion of a process realignment of its operations. In connection with these improvements, DATA expects to incur a total of approximately \$1,800 in severance expenses. This restructuring primarily involves a reduction of DATA's indirect labour force across its operations, which is designed to streamline DATA's order-to-production process. This process re-design and automation is expected to improve manufacturing processes from DATA's on-line web-to-print ordering system, directly to digital production.

Corporate information

DIRECTORS AND OFFICERS

J.R. Kingsley Ward³
Chairman, Director

William Albino^{1,2,3}
Director

James J. Murray O.Ont., SIOR^{1,2}
Director

Derek J. Watchorn^{1,2,3}
Director

Michael G. Sifton
Director & Officer
Chief Executive Officer

James E. Lorimer
Officer
Chief Financial Officer & Corporate
Secretary

EXECUTIVE TEAM

Michael G. Sifton
Chief Executive Officer

Gregory J. Cochrane
President

James E. Lorimer
Chief Financial Officer

Steve Wittal
Senior Vice-President, Sales

Alan Roberts
Senior Vice-President, Operations

Judy Holcomb-Williams
Vice-President, Human Resources

Karl Spangler
Chief Technology Officer

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(Chairperson is
William Albino)

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

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

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