DH CORPORATION

Management's Discussion and Analysis

For the quarter ended March 31, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1 INTRODUCTION

Our discussion in this Management's Discussion and Analysis ("MD&A") is qualified in its entirety by the Caution Concerning Forward-Looking Statements that follow. Throughout this MD&A, DH Corporation and its subsidiaries are referred to as "D+H", "Company", "we", "our" or "us".

1.1 Caution concerning forward-looking statements
This MD&A contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"), including without limitations, the statements contained in section entitled *"Objectives, strategy and outlook"*. Statements concerning D+H's objectives, goals, strategies, priorities, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of D+H are forward-looking statements. The words "believe", "expect", "anticipate", "estimate", "intend", "may", "will", "would", "could", "should", "continue", "goal", "objective", and similar expressions and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Certain material factors and assumptions were applied in providing these forward-looking statements. Forward-looking information involves numerous assumptions including projections, completion of bookings, successful project implementation, operating expense levels, volumes and values for products and transaction processing services in the Canadian segment and implementation of our global operating realignment. Projections maybe impacted by macroeconomic factors, changes in the value of the Canadian and U.S. dollar relative to other currencies, the timing of client decisioning on technology investments, the pace of implementation of technology by the customer, in addition to other factors not controllable by the Company. D+H has also made certain macroeconomic and general industry assumptions in the preparation of such forward-looking statements. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. Not all factors which affect our forward-looking information are known, and actual results may vary from the projected results in a material respect, and may be above or below the forward-looking information presented in a material respect.

A comprehensive discussion of the risks that impact D+H can be found on the Company's most recently filed Annual Information Form and the most recently filed annual MD&A for the year ended December 31, 2016, available on SEDAR at www.sedar.com.

D+H does not undertake any obligation to update forward-looking statements should the factors and assumptions related its plans, estimates, projections, beliefs and opinions, including those listed above, change except as required by applicable securities laws.

All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

1.2 Preparation of the MD&A
This MD&A has been prepared with an effective date of May 11, 2017. The sections that follow are a discussion of D+H's financial condition and results of operations for the three months ended March 31, 2017, and should be read in conjunction with D+H's MD&A for the year ended December 31, 2016, dated March 7, 2017 and the unaudited condensed interim consolidated financial statements of D+H for the three months ended March 31, 2017. Our unaudited financial results are reported in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Our use of the term IFRS in this MD&A is a reference to these standards. In our discussion, we also use certain non-IFRS financial measures to evaluate our performance, monitor compliance with debt covenants and manage our capital structure. These non-IFRS measures include Adjusted revenues, bookings, Adjusted expenses, earnings before interest, tax, depreciation and amortization ("EBITDA"), Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income, Adjusted net income per share (diluted), Adjusted net cash from operating activities, Payout ratio, Adjusted payout ratio, Constant currency, Debt to EBITDA ratio, and Interest coverage ratio. These measures are defined, qualified, where applicable, and reconciled with their nearest IFRS measures in section 10. All amounts in the MD&A are in Canadian dollars, unless otherwise specified.

As part of its consolidated statements of income, D+H provides an additional IFRS measure for "Income from Operating Activities". Management believes that this measure provides relevant information to understand the Company's financial performance. This additional IFRS measure is representative of activities that would normally be regarded as "operating" for the Company.

This MD&A and the unaudited condensed interim consolidated financial statements were reviewed by D+H's Audit Committee and approved by the Board of Directors on May 11, 2017. Additional information relating to the Company, including the Company's most recently filed Annual Information Form, is available on SEDAR at www.sedar.com.

Comparative figures have been reclassified to conform to the current period classification, where applicable.

1.3 Variability of our results

With the growth of our business through acquisition and internal developed products, we have and expect to continue to experience some increase in variability in quarterly revenues, bookings, EBITDA, net income and cash flows, due to, among other items: (i) macroeconomic impacts on global banks and decisioning around IT investments in particular related to payment systems and market regulation related to payments; (ii) dynamics in the United States ("U.S.") mortgage, consumer and commercial lending environments; in the United States, the investments related to lending system capabilities primarily by community banks; (iii) the mortgage origination market in Canada along with market value changes in the housing market; (iv) cheque order volume declines in Canada; (v) volume variances and fees within the Canadian lien registration and asset recovery markets; (vi) timing and variability in sales activity in all business segments, timely delivery of professional services work, and cash receipts; and (v) acquisition and integration activities and realignment of our business to advance operating effectiveness and long term growth in new markets. Quarterly variability is also driven by business and economic cycles, in addition to timing of client decisions related to technology investments. With the acquisition of Harland Financial Solutions ("HFS") in 2013 and Fundtech Investments II, Inc. ("Fundtech") in 2015, the fourth quarter typically will have the highest revenue and EBITDA in Global Payment and Treasury Technologies, Lending Solutions in the U.S., and Enterprise Solutions business operations. Lending and Retail Solutions in Canada typically experiences higher revenues and EBITDA in the second and third quarters. The Global Payment and Treasury Technologies, and Enterprise Solutions business operations, which has the largest contracts and longest implementation cycle for respective solutions, has the most significant potential impact from timing of client decisioning or completion of contracts and related professional services.

Given that D+H reports its consolidated results in Canadian dollars, the relative value of the Canadian dollar has an impact on our reported results and year-over-year performance primarily for U.S. operations when translated into Canadian dollars and also, to a limited extent, the Canadian operations to the degree that goods and services are sourced from the U.S. Since late 2014, the Canadian dollar has depreciated against the U.S. dollar, reflecting widespread strength of the U.S. currency. With the acquisition of Fundtech, our results are also impacted, although to a lesser extent, by the relative value of various currencies including Indian rupee, Euro, Swiss franc, British pounds sterling, against the U.S. dollar. The Company uses various economic hedging strategies for its debt and its U.S. dollar cash flows and will continue to deploy these strategies in the future. The Company does not hedge all expenditures but rather only a portion of forecasted future cash outflows. Additional information on the Company's hedging strategies can be found in section 7 of this MD&A.

2 BUSINESS OVERVIEW

D+H (TSX: DH) is a leading financial technology provider that the world's financial institutions rely on every day to help them grow and succeed. Our global payments, lending and financial solutions are trusted by nearly 8,000 banks, specialty lenders, community banks, credit unions, governments and corporations. Headquartered in Toronto, Canada, D+H has more than 5,500 employees worldwide who partner with clients to create forward-thinking solutions that fit their needs.

Our strategy is to build market-leading positions in payments and lending technologies. Lending and Payments are key growth sectors of the financial services industry. We aim to reinforce these positions with integrated technology solutions that deliver increasing value to our clients.

We have been executing on the strategy over the past several years as we have evolved from a Canadian cheque supplier into a leading participant in the global financial technology market. The Company has transformed itself via a series of acquisitions that have added additional clients, markets and products. Today we operate globally with a "one company" view in how we seek to interact with customers, employees and partners.

Definitive Agreement to be Acquired by Vista Equity Partners

On March 13, 2017, D+H and Vista Equity Partners (“Vista”) announced that they had entered into a definitive arrangement agreement under which Vista will acquire all of the outstanding shares of D+H for $25.50 per share in cash including the assumption, repayment or redemption of all debt obligations, including the issued convertible debentures, for a total enterprise value of approximately $4.8 billion (the “Proposed Transaction”).

In the joint announcement with D+H, Vista announced that it intends to combine D+H with another of its portfolio companies, United Kingdom-based Misys, a leading global software provider for retail and corporate banking, lending, treasury and capital markets, investment management and enterprise risk.

The completion of the Proposed Transaction is subject to court approval and the approval of D+H's shareholders by more than 66 2/3% of the votes cast by the shareholders present in person or by proxy at the special meeting of shareholders to be held on May 16, 2017. The Proposed Transaction is subject to customary closing conditions, including receipt of all regulatory approvals.

During the interim period preceding the Proposed Transaction, D+H remains subject to numerous risks, including the diversion of time and attention of its management from running its current business, certain provisions in the Vista Arrangement Agreement which may restrict our ability to take certain corporate actions or pursue alternatives to the Proposed Transaction.

Resegmentation

As announced in early 2016 the company began re-organizing itself to drive global scale and operating effectiveness. Commencing in the first quarter of 2017 the corporation commenced reporting on three new strategic business segments: Global Payments Solutions ("GPS"), Global Lending Solutions ("GLS") and Financial Solutions. Our software products, services and other solutions were reorganized to the new business segments as outlined below.

<table>
<tr><th rowspan="2">Previous Segments</th><th colspan="3">New Segments in 2017</th></tr>
<tr><th>Global Payments Solutions</th><th>Global Lending Solutions</th><th>Financial Solutions</th></tr>
<tr><td rowspan="2">Global Transactions Banking Solutions (GTBS)</td><td>Global payment technologies (including US payments and Global payments)</td><td></td><td rowspan="2">Merchant services (now part of Enterprise solutions)</td></tr>
<tr><td>Treasury technologies (including cash management and financial messaging)</td><td></td></tr>
<tr><td>Lending and Integrated Core Solutions (L&IC)</td><td></td><td>Lending solutions - US</td><td>Integrated core solutions (now referred to as Core Platforms, part of Enterprise solutions)</td></tr>
<tr><td>Canada</td><td></td><td>Lending solutions - Canada</td><td>Payment solutions (now referred to as Retail solutions)</td></tr>
</table>

In addition, the Company now also has a Corporate segment. The Corporate segment consists of the corporate overhead costs that are not allocated to operating segments. Corporate overhead costs relate to some human resources, finance, legal, accounting costs not allocated to the segments, merger and acquisition activities as well as other costs that are not considered when management evaluates segment performance.

The strategic infrastructure and operations of D+H, which have historically been aligned with the business segments have also been reorganized to drive global scale and operating effectiveness. These business operations include customer support, technology infrastructure and other shared services, in addition to risk management, finance and human resources. These costs have been allocated to the respective segments including to the corporate segment, and are included in the segment level earnings before interest, taxes, depreciation and amortization ("EBITDA") which is one of the key measures used to assess segment performance.

The Company has also reclassified prior quarter results to align with the new segmentation as noted above for comparability.

3 STRATEGY AND OUTLOOK

3.1 2017 Objectives and strategy

Our strategy is to build market-leading positions in payment and lending technologies. Lending and payments are key growth sectors of the financial services industry. We aim to reinforce these positions with integrated technology solutions that deliver increasing value to our clients. We have been executing on the strategy over the past several years as we have evolved from a Canadian cheque supplier to a leading participant in the global Financial Technology market. The Company has transformed itself via a series of acquisitions over the past decade that have added additional clients, markets, and products. One of our strengths is a diverse and stable customer base where we have nearly 8,000 customers with contract renewal rates in excess of 90% on the vast majority of our products. We also have a diverse and broadly stable revenue base with approximately 40% of revenues from contractually committed recurring revenue from our software-as-a-service ("SaaS") contracts and software maintenance; 39% from multi-year contractual agreements that generate recurring transactional and product related revenues (specifically within our Canadian market) and 21% from non-recurring sources, primarily licenses and professional services.

Our existing solutions and customer base provide us with additional opportunities to develop new technology platforms for our existing solutions such as hosted and SaaS delivery to enhance our market opportunity and share of customer technology investments. Regulatory changes impacting financial institutions and the continuing adoption of faster payments globally continue to provide opportunities for growth. We expect to continue to evolve and grow our business primarily through developing our solutions and organic growth.

Key Growth Activities by Segment

In 2017, the Company focused on advancing the following specific strategies through various business activities:

<u>Global Payments Solutions ("GPS")</u>

Build on our leading global position in payment technologies, including payment hubs and cash management services to advance our market share globally.

- Signed a major contract with a U.S. bank to implement D+H's next-generation, multi-tenant hosted payments hub solution for its U.S. domestic and international wire transfers.
- Signed a contract with a major Credit Union in the U.S. to accelerate its ability to offer real-time payments to its members. The credit union is using D+H's cloud-based testing environment to simulate connectivity to The Clearing House's ("TCH") real-time payments network, which is the centralized infrastructure for the new real-time payments rails in the U.S., in order to assess the benefits that real-time payments can provide.
- Initiated a cloud-based testing environment where banks can simulate connectivity to TCH's real-time payments network. The service provides an opportunity for banks to utilize D+H's U.S. real-time initiation channels and payment hub solution to quickly and easily simulate the execution and clearing of payments on the TCH real-time payment network.
- Announced that D+H is one of the frontrunner service providers ready to provide banks that join the EBA CLEARING instant payment service with support services. The new 24/7 service, which is currently being implemented with the support of 39 financial institutions, will be based on the SEPA Instant Credit Transfer Scheme. D+H will provide banks with fast and efficient connectivity to the SEPA Instant Credit Transfer Scheme using its global payment hub solution.
- Announced a cloud-based instant payments testing environment for the European market. The testing environment will provide simulated connectivity to EBA CLEARING's pan-European instant payment infrastructure solution, which is aimed at supporting European payment service providers in fully complying with the European Payments Council's SEPA Instant Credit Transfer Scheme.

<u>Global Lending Solutions ("GLS")</u>

Build on our leading capabilities in lending solutions to advance our market share within North American financial institutions.

- Launched Total Lending™ our next generation lending solution. LaserPro will now be bundled with our other lending solutions to deliver a robust, integrated lending solution across loan origination, processing and compliant documentation experience.
- Launched Total Lending™ Small Business, a new digital, mobile-first lending solution designed to boost profitability of financial institutions and improve the lending experience for small business owners across the U.S. Now, banks and credit unions can deploy an intuitive, on-line loan application for small businesses, enabling more application throughput than the traditional paper-based branch model.

- Onboarded a major automotive captive client on CollateralGuard Enterprise ("CGe"). The client will use CGe as part of its standard lending due diligence process. CGe, D+H's next generation search and registration solution, is a risk management technology platform for lenders, which provides a single point of entry to registries across Canada, streamlining all search and registration transactions.

Financial Solutions ("FS")

Defend our historical core market positions while expanding into additional customer segments and value propositions.

- Selected by a U.S. credit union with more than $500 million in assets, as its core banking solutions provider. The credit union recognized the value an integrated core banking platform could bring to the progressive institution, including increased operational efficiency, easier account management and a more consistent omni-channel experience.
- Selected by one of Alaska's largest credit unions with more than $650 million in assets, to provide D+H's signature debit and consumer credit card processing. Designed to increase the efficiency and profitability of payment processing, our comprehensive Card Payments suite helps financial institutions increase revenue by expanding cross-selling capabilities.

Effective use of capital resources.

Activities in Q1 2017 included:

- Continued investment in our products, platforms and infrastructure, investing $26.6 million in the first quarter of 2017.
- Returned $12.8 million in cash dividends to our shareholders in the first quarter of 2017.
- Repaid a total of $9.4 million of debt in the first quarter of 2017.

3.2 Outlook

Consolidated objectives and outlook

A process was established by our Board of Directors in December 2016, including the formation of a Special Committee of independent Directors, to address expressions of interest from certain third parties to acquire DH. The process resulted in a definitive arrangement agreement ("Proposed Transaction" or sometimes referred to as the "Arrangement") under which Vista will acquire all of the outstanding shares of DH Corporation for $25.50 per share in cash including the assumption of all debt obligations including the issued convertible debentures, for a total enterprise value of approximately $4.8 billion.

The completion of the Proposed Transaction is subject to court approval and the approval of D+H's shareholders by more than 66 2/3% of the votes cast by the shareholders present in person or by proxy at the special meeting of shareholders to be held on May 16, 2017. The board of directors along with two leading independent proxy research and advisory firms, Institutional Shareholder Services, Inc. and Glass, Lewis & Co., both of whom have published reports, recommend that D+H shareholders vote for the Proposed Transaction.

Regulatory approval status as of May 11, 2017 is as follows: an affiliate of Vista Equity Partners (the "Purchaser") has received a no-action letter from the Competition Bureau of Canada in respect of the proposed arrangement (the "Arrangement") and that the applicable waiting periods under the Competition Act (Canada) have expired. In addition, the waiting period applicable to the completion of the Arrangement under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976 has expired.

Closing of the transaction remains subject to certain customary closing conditions including court approval, shareholder approval and the receipt of the remaining required regulatory approvals including approval under the Investment Canada Act. Assuming the satisfaction of these closing conditions, the transaction is expected to close late in the second quarter or early in the third quarter of 2017.

In the event the Proposed Transaction does not proceed we will reevaluate the business opportunities and strategies outlined in prior quarters.

Dividend

DH also announced today a cash dividend of $0.12 cents per share, payable on June 30, 2017, to shareholders of record on June 16, 2017. The Proposed Transaction may close prior to the record date on June 16, 2017; as a result, there is no guarantee that public shareholders will receive this dividend.

Outlook and Trends

Overall, we believe that our solutions are well positioned in their respective competitive markets.

Several factors drive long term demand for our products - changing regulation, the need for customers to enhance their competitiveness through the adoption of new technology solutions and increasing requirements for banks to improve their cost competitiveness. We are clear market leaders in several categories in which we compete, and believe that, notwithstanding a shifting sales cycle in payments, we have continued to strengthen our differentiation in several instances.

The Company is also focused on extending the differentiation through launching new products to meet changing market demands.

Additionally, the Company is focused on enhancing the efficiency and effectiveness of its global operations. We will continue to capitalize on various operating strategies, and implementation of solutions to assist in effective management in our various functions and workforce alignment globally.

Overall the Company typically has a strong recurring revenue component and high cash flow conversion from its operations. We expect this to continue based on the current markets where we operate and solutions that we provide.

Overtime, as the Company continues to develop and introduce SaaS based delivery of its solutions, these revenues are expected to continue to increase as a percent of total revenues. In the past 15 months, SaaS based product development initiatives have been initiated in each of our segments and we expect to bring these products to market over the next two years. We believe that these products will accelerate the growth of the Company and its margins over the long term and are a key strategy for achieving its long term financial objectives.

Segment Outlook

Global Payment Solutions

Since mid 2016, we noted the impact of global macroeconomic conditions on financial institutions, particularly in our GPS segment where we primarily serve large global financial institutions which drove a cautionary stance in terms of technology spend by these banks, most notable among banks outside the United States, and which negatively impacted the timing and nature of implementations and decisioning among these institutions on large enterprise technology initiatives. Additionally, we noted that in certain markets, financial institutions were assessing the potential impact of the exit of the United Kingdom from the European Union ("Brexit") and other unrelated regulatory events, on decisions relating to technology resources and spend. These factors caused some headwinds in culmination of contracts for technology solutions during 2016. This impacted our revenues and bookings specifically in the GPS segment starting in the second quarter of 2016 and continued through the end of 2016. Our outlook in 2017 considers changes in how large financial institutions are contracting on major technology projects. Specifically, some customers now look at their contracting commitment in two stages resulting in an elongation of the sales cycle. The first, a scope validation stage and the second a comprehensive implementation. Scope validation has historically been an early phase of an implementation plan rather than a distinct contract. The impact of this change has been lower initial bookings with these customers as the scope validation is typically limited to a shorter-term services only engagement. Upon completion of the scope validation, we anticipate booking comprehensive agreements reflecting the license, enhancements and services.

We believe the effect of the economic and regulatory factors we saw in 2016 will moderate through 2017 and we expect this to lead to higher demand for our solutions in 2017 and beyond. We expect the elongation of the sales cycle to continue for large payment hub customer acquisition. We have a solid outlook for this business given our current level of sales and contracting activity and market outlook.

Part of the demand for our payment hub solutions, we believe, will be driven by the increasing regulatory requirements that we have seen evidence of on three fronts: (i) in markets where faster payments have been adopted and customers are considering refreshing their capabilities, (ii) in new markets turning to faster payments (such as Hong Kong and the United States), (iii) in markets with changing payments regulation like the European Union via the Payment Services Directive. In markets where faster payments regulation has been adopted, we continue to see demand for our global payment solutions. In markets such as the United States, Canada, Australia, South Africa and now Hong Kong, where faster payments infrastructure is moving toward adoption, we also see increased demand for our payment solutions. The timing of commitments by customers is the key factor in capitalizing on the demand for our solutions in 2017 and beyond.

We remain confident in our competitive stance based on our awarded but unsigned contracts and proposal pipeline. Our current outlook for the GPS segment revenue is positive over the long term with growth in the high single digits, but more muted in the near term in light of delays in customer buying patterns with some of our larger payment hub customers.

In cash management (which is typically approximately 10% of total GPS Adjusted revenues), we expect the impact on growth which we noted in 2016 due to product development and market re-positioning on this product to continue into the first half of 2017. We anticipate that these activities will result in higher growth and margins in future years.

Effective May 10, 2017, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) terminated the Consent Order entered into with two of D+H's subsidiaries, specifically Fundtech Corporation and BServ, Inc. ("Fundtech"), which D+H acquired as part of the acquisition of Fundtech in early 2015. Since the acquisition, D+H has made investments and improved practices in risk management in those businesses in order to meet the requirements of the Consent Order.

We continue to invest in our payments and treasury solutions to capitalize on longer-term growth from new customer demand and where financial institutions are looking for technology solutions that are SaaS-enabled. The combination of product and risk investments impacted expenses and margins in 2016. We anticipate that the product related investment will continue into 2017 in our Global Payments enterprise software and in our Total Payments and Total Treasury solutions for the United States markets. However, we remain confident in our long term view in this segment based on the market dynamics for our solutions.

Global Lending Solutions

In the United States, where the economic and regulatory environment is more positive, particularly since the recent change in the government relative to potential impacts on our customers, we are optimistic with respect to potential impacts on our business in the mid term. In Canada, our expectations are more modest given economic and regulatory concerns.

U.S. Lending: In 2017, we anticipate stronger growth driven by a higher number of contractual LaserPro renewals, in addition to new clients for our mortgage, commercial and small business customers. Additionally, the positive impacts from our new bookings continue to improve revenues as we expected. The Company's go to market strategy related to bundling lending products for both new and renewal customers is expected to increase total contract values and thus the revenues over the terms of the contract, while also providing increased value to our customers. Sales cycles and implementation time increases with bundled product sales. Certain bundled bookings will typically result in revenue recognition up to six months following the booking. However, as we are generating higher lending revenue per client, we see this as net positive impact over the longer term of the contract.

In addition, the Company expects to introduce new products into the US lending market and will look to cross sell certain products into the Canadian market. Our solutions, in particular LaserPro and Mortgagebot, have strong market positions and we expect to realize continuing strength in our market competitiveness as we further develop our suite of products and advance our go to market strategy.

We expect our long term growth in US lending to be in the high single digits, however, in 2017 they will be slightly muted primarily as a result of our bundled bookings driving longer implementation time frames and some customer decision delays related to the Proposed Transaction.

Canada Lending: We are cautious with respect to broader economic downdrafts in Canada, which may negatively influence volumes and revenues in the registry business. We expect that this will be partially offset by an increase in revenues associated with new clients along with a volume rise in our recovery business in 2017. Our expectation is for low single digit growth in the near term as historical contract volumes normalize.

Our mortgage technology solutions will be impacted in 2017 by new mortgage qualification requirements that were announced by the Government of Canada in response to concerns about an overvalued real estate market in certain cities, which may have some impact on reduced volumes in the business. Additionally, the competitive market dynamics may bring increased competition. Overall, we expect this business to have muted growth in the near term.

Within student lending, with the success of the CSLP program contract win, the Company's activities are focused on developing the new operating platform and technology solution for implementation in 2018. Until the contract reset on April 1, 2018, we expect moderate student lending growth related to transition fees. Thereafter, the company will see a reduction in revenues and EBITDA margins as the new contract comes into effect. Over the term of the contract, which is initially 8 years, we expect both revenues and margins to increase, and once the new platform matures we anticipate margins returning to levels approximating our current levels. Additionally, the Company expects to benefit from the technology and operating platform in terms of other cost synergies.

Financial Solutions

Enterprise Solutions: In 2017, we have expectations of modest revenue growth, net of the impact of products rationalized in 2016, as the Company focuses on driving the growth of our core Phoenix, channel, cloud and payments solutions. During the first months of 2017, we have observed a delay in our customer's decision making regarding new core and channel bookings as compared to the same quarter last year and a reduced number of requests for proposal. We believe that the decline is due to customer uncertainty related to the Proposed Transaction as the ownership of D+H is changing and are cautious about making new long term commitments. We expect that the sales of new and add-on services will re-engage once the ownership matters are resolved. This reduced bookings early in 2017 and will impact our revenues later in 2017 and into 2018.

Retail Solutions: The first quarter of 2017 is a continuation of the ongoing declines in our cheque business volumes and, to a lesser extent, nominal declines in our enhancement services business on two smaller legacy bank portfolios.

In keeping with our prior efforts, we are focused on continuing to reduce the costs of the chequing business. The rate of the declination of the cheque volumes is expected to continue and may possibly accelerate as consumers and businesses increasingly shift to electronic payment alternatives. The increases in average order value in the cheque program combined with cost reduction initiatives are expected to continue to partially offset ongoing cheque order volume decline. During the first quarter of 2017, the Company is executing on its plans to further consolidate its cheque facilities including closing a production facility in Quebec as of the end of March 2017, which will result in lower costs starting in mid 2017. The Company remains focused on these, and other activities, to maintain margins in this business.

In our enhancement services business, we intend to shift toward a digitally-enabled platform and expand our product offerings and our margins. While we expect to continue to grow our enhancement services products and the profitability of this business over the long term, this growth is not anticipated to offset the cheque revenue declination. Furthermore, we see some shifting of the market for these products due to competitor strategies which may impact the revenue and margins. We continue to monitor the market changes and will adjust strategy over time to remain competitive.

As a result of the continuing decline in the cheque volumes, partially offset by increases in average order value and reduced operating costs, and the competitive changes in the enhancement services business, our expectation is a mid single digit declination in the combined cheque and enhancement services solutions revenues in 2017 with potentially accelerating declines over the medium to long term.

4 CONSOLIDATED FINANCIAL PERFORMANCE

4.1 Consolidated operating results, liquidity and capital

(In thousands of dollars, unless otherwise noted)

	Three months ended March 31			
Statement of income	**2017**	2016	$ Change	% Change
Revenues	**$ 397,860**	$ 412,149	$ (14,289)	(3.5)%
Expenses	**315,308**	319,900	(4,592)	(1.4)%
Income from operating activities before depreciation and amortization ("EBITDA") [1]	**82,552**	92,249	(9,697)	(10.5)%
EBITDA margin [1]	***20.7%***	*22.4%*	*(1.7)%*	*n/a*
Depreciation of property, plant and equipment	**6,388**	7,254	(866)	(11.9)%
Amortization of intangible assets	**66,307**	69,416	(3,109)	(4.5)%
Income from operating activities	**9,857**	15,579	(5,722)	(36.7)%
Finance expense	**24,821**	26,476	(1,655)	(6.3)%
Loss before income taxes	**(14,964)**	(10,897)	(4,067)	37.3 %
Income tax recovery	**(12,233)**	(15,684)	3,451	(22.0)%
Net (loss) income for the period	**$ (2,731)**	$ 4,787	$ (7,518)	(157.1)%
Weighted average number of shares outstanding during the period, diluted (in thousands)	**106,882**	106,640	242	0.2 %
Net (loss) income per share, diluted	**$ (0.03)**	$ 0.04	$ (0.07)	
Other non-IFRS measures				
Adjusted net income [1]	**$ 45,053**	$ 45,436	$ (383)	(0.8)%
Adjusted net income per share, diluted [1]	**$ 0.42**	$ 0.43	$ (0.01)	(2.3)%
Adjusted payout ratio [1]	**22.8%**	53.5%		n/a
Liquidity				
Net cash from operating activities	**$ 68,091**	$ 54,773	$ 13,318	24.3 %
Add: Acquisition related and other charges	**$ 327**	$ 5,655	$ (5,328)	
Add: Realignment of global operations and related restructuring expenses	**$ 2,766**	$ 6,790	$ (4,024)	
Add: Costs related to Proposed Transaction	**$ 11,726**	$ —	$ 11,726	
Adjusted net cash from operating activities[1]	**$ 82,910**	$ 67,218	$ 15,692	23.3 %
Adjusted net cash from operating activities as a percentage of Adjusted revenues [1]	**20.8%**	16.2%		
Adjusted net cash from operating activities per weighted average share outstanding [1]	**$ 0.78**	$ 0.63	$ 0.15	
Uses of Adjusted net cash from operating activities:				
Capital expenditures	**$ (26,638)**	$ (20,962)	$ (5,676)	27.1 %
Cash dividends	**$ (12,826)**	$ (24,753)	$ 11,927	(48.2)%
Adjusted net cash from operating activities after capital expenditures and cash dividends [1]	**$ 43,446**	$ 21,503	$ 21,943	
Net debt repayment [2]	**$ (9,400)**	$ (20,000)	$ 10,600	
Adjusted net cash from operating activities after capital expenditures, cash dividends and net debt repayment [1, 2]	**$ 34,046**	$ 1,503	$ 32,543	
Dividends declared per share	**$ 0.12**	$ 0.32	$ (0.20)	
	March 31	December 31		
Capital structure	**2017**	2016	$ Change	% Change
Loans and borrowings	**$ 1,491,055**	$ 1,513,254	$ (22,199)	(1.5)%
Convertible debentures	**$ 433,379**	$ 431,093	$ 2,286	0.5 %
Total equity	**$ 2,111,297**	$ 2,132,626	$ (21,329)	(1.0)%
Debt to EBITDA [1]	**3.257x**	3.276x	n/a	n/a

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.
2. Non-IFRS measure: Net debt repayment is net of repayments and new financings from acquisition borrowings.

Revenues and Adjusted revenues

Revenues in the first quarter of 2017 decreased by $14.3 million or 3.5% from $412.1 million in the first quarter of 2016 to $397.9 million in the first quarter of 2017. The decrease in revenues was primarily due to the impact of foreign exchange rate changes which reduced revenues by $8.6 million or 2.1%, lower revenues in our financial solutions segment as a result of product rationalization initiatives, in addition to lower bookings and client attrition in some of our core product solutions, and lower volumes in our cheque business and enhancement services. Revenues in the GPS segment also decreased due to lower bookings and customer contracts related to non-recurring implementation services which increased revenues in the prior quarter. These decreases were partially offset by increased revenues in our global lending solutions segment as a result of increased volumes in our Canada lending solutions and increased LaserPro and related U.S. lending solutions revenues as result of higher bookings, renewals and backlog delivery.

Adjusted revenues for the first quarter of 2017 decreased by $15.7 million or 3.8% from $414.2 million in the first quarter of 2016 to $398.5 million in the first quarter of 2017. The changes in Adjusted revenues reflect changes to revenues as discussed above in addition to the changes in acquisition accounting adjustments. Refer to section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted revenues by type [1, 2]

(In thousands of dollars, unless otherwise noted) **Three months ended March 31**

		2017			2016			$ Change	% Change
SaaS	**$**	**101,907**	**25%**	$	103,800	25%	$	(1,893)	(1.8)%
License (Perpetual and Term)		**36,707**	**8%**		37,011	9%		(304)	(0.8)%
Maintenance		**57,803**	**15%**		60,686	15%		(2,883)	(4.8)%
Professional Services		**39,483**	**10%**		47,525	11%		(8,042)	(16.9)%
Transaction Processing Services		**81,895**	**21%**		78,345	19%		3,550	4.5 %
Canadian Payments Products/Solutions		**74,343**	**19%**		79,597	19%		(5,254)	(6.6)%
Other [3]		**6,324**	**2%**		7,223	2%		(899)	(12.4)%
Total	**$**	**398,462**	**100%**	$	414,187	100%	$	(15,725)	(3.8)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.
2. The definitions of these revenue types can be found in Section 10.1.
3. Other includes termination fee revenue, delivery income and hardware sales

Our Adjusted revenues declined $15.7 million in the first quarter of 2017 and comprised changes in the following types of Adjusted revenues in addition to a decrease due to the impact of foreign exchange rates:

- lower professional services revenue primarily in our global payments and financial solutions segments
- Canadian payments products/solutions decreased in the first quarter due to volume declines in our retail solutions business
- lower software licenses revenue in global payments
- lower SaaS revenue in the global lending solutions segment, offset by
- increased transaction processing revenues in our global lending solutions segment primarily due to increased volumes

The impact of foreign exchange negatively impacted the SaaS, Software Licenses, Maintenance and Professional Services and resulted in a reduction to revenues and Adjusted revenues of $8.6 million. Refer to Section 5 for revenue by type for each segment.

Expenses and Adjusted expenses

Consolidated expenses for the first quarter of 2017 decreased by $4.6 million or 1.4% from $319.9 million in the first quarter of 2016 to $315.3 million in the first quarter of 2017. The decrease in consolidated expenses is primarily due to the impact of foreign exchange rate changes which reduced expenses by $7.7 million and reduced employee compensation expense in our financial solutions segment due to a reduced headcount as a result of our global operating model changes and modernization efficiencies. These decreases were partially offset by increased costs in our global payments solutions segment, due to a larger employee base in our Global Payments business compared to the prior quarter related to investments in product development initiatives, increased trade show conference expenses, consulting and other professional fees.

Adjusted expenses removes from consolidated expenses the impacts of the acquisition accounting adjustments, acquisition-related and other charges, costs related to our global operations realignment, other restructuring, costs related to the Proposed Transaction, and foreign exchange gain or loss on financing-related intercompany balances.

Adjusted expenses for the first quarter of 2017 decreased by $10.8 million or 3.5% from $311.2 million in the first quarter of 2016 to $300.4 million in the first quarter of 2017. The decline in Adjusted expenses is primarily due to the decrease in expenses discussed above in addition to changes in foreign exchange gains and losses on financing-related intercompany balances and the change in acquisition accounting adjustments.

EBITDA and Adjusted EBITDA

EBITDA in the first quarter of 2017 of $82.6 million, decreased by $9.7 million or 10.5% due to the changes in revenues and expenses discussed above.

Adjusted EBITDA in the first quarter of 2017 of $98.1 million, decreased by $4.9 million or 4.8% due to the changes in Adjusted revenues and Adjusted expenses discussed above.

EBITDA margin and Adjusted EBITDA margin

EBITDA margin for the first quarter of 2017 was 20.7%, representing an decrease of 1.7% from 22.4% in the first quarter of 2016. The decrease was primarily due to the declines in revenues as discussed above and change in our product mix.

Adjusted EBITDA margin for the first quarter of 2017 was 24.6%, representing a decrease of 0.3% from 24.9% in the first quarter of 2016. The decrease was primarily due to the declines in Adjusted revenues as discussed above and change in our product mix.

Depreciation of capital assets and amortization of intangible assets

(In thousands of dollars, unless otherwise noted)				Three months ended March 31
	2017	2016	$ Change	% Change
Depreciation of property, plant and equipment	**$ 6,388**	$ 7,254	$ (866)	(12)%
Amortization of intangible assets				
Contract	**$ 1,053**	$ 1,096	$ (43)	(4)%
Software	**12,650**	12,305	345	3 %
Non-acquisition intangible assets	**13,703**	13,401	302	2 %
Intangible assets from acquisition	**52,604**	56,015	(3,411)	(6)%
Total amortization of intangibles	**$ 66,307**	$ 69,416	$ (3,109)	(4)%
Total depreciation of property, plant and equipment and amortization of intangibles	**$ 72,695**	$ 76,670	$ (3,975)	(5)%

Depreciation of property, plant, and equipment totalled $6.4 million in the first quarter of 2017, compared to $7.3 million in the comparable quarter of 2016. The impact of foreign exchange rate changes resulted in a decrease in depreciation expense of $0.2 million.

Amortization of non-acquisition related intangible assets of $13.7 million, increased in the first quarter of 2017 by $0.3 million, compared to the first quarter of 2016. The impact of foreign exchange rate changes resulted in a decrease in amortization of non-acquisition related intangible assets of $0.3 million.

Consolidated amortization of acquired intangible assets in the first quarter of 2017 was $52.6 million, representing a decrease of $3.4 million as compared to the same quarter in 2016 primarily due to the impact of foreign exchange rate changes which reduced amortization expense on intangible assets from acquisition by $1.9 million.

Finance expense is comprised of interest expense and financing related charges as detailed in the table below.

(In thousands of dollars, unless otherwise noted)				Three months ended March 31
	2017	2016	$ Change	% Change
Net interest expense	**$ 22,146**	$ 24,019	$ (1,873)	(8)%
Amortization of deferred financing fees	**660**	642	18	3 %
Accretion expense (5.0%, 5.5 year convertible debenture)	**1,123**	1,040	83	8 %
Accretion expense (6.0%, 5 year convertible debenture)	**1,163**	1,075	88	8 %
Fair value adjustment of derivative instruments	**(271)**	(300)	29	(10)%
Total finance expense	**$ 24,821**	$ 26,476	$ (1,655)	(6)%

Finance expense in the first quarter of 2017 decreased by $1.7 million compared to the first quarter of 2016, primarily due to a decrease in net interest expense of $1.9 million in the first quarter of 2017. The decrease in net interest expense was due to a decrease of $1.0 million from lower long-term borrowings, calculated on a weighted average basis, $0.6 million due to the impact of foreign exchange rate changes and $0.3 million due to a decrease in the cost of debt compared to the prior quarter.

Income tax recovery

An income tax recovery of $12.2 million was recorded in the first quarter of 2017 compared to an income tax recovery of $15.7 million recognized in the same period of 2016. The decrease in the income tax recovery was primarily attributable to changes in income before income taxes and the geographic mix of income and losses. The tax recovery was further increased by tax impacts related to net foreign exchange gains and losses, which was partially offset by changes in statutory tax rates in 2016.

Net (loss) income and Net (loss) income per share, diluted

Consolidated net loss in the first quarter of 2017 was $2.7 million, a decrease of $7.5 million from the first quarter 2016 net income of $4.8 million, primarily due to a decline in EBITDA of $9.7 million and a decrease in income tax recovery from the prior quarter of $3.5 million. These decreases were partially offset by a decrease in amortization expense of $3.1 million and finance expense of $1.7 million.

Net loss per share, diluted of $0.03 in the first quarter of 2017 decreased from a net income per share of $0.04 in the first quarter of 2016 as a result of a decrease consolidated net income as discussed above.

Diluted weighted average common shares outstanding in the first quarter was 106.9 million compared to 106.6 million shares for the first quarter pf 2016.

Adjusted net income and Adjusted net income per share, diluted

Adjusted net income in the first quarter of 2017 was $45.1 million, a decrease of $0.4 million from the prior year comparable period. Adjusted net income per share, diluted in the first quarter of 2016 of $0.42 was lower by $0.01 from the prior year comparable period.

A reconciliation to Adjusted net income and Adjusted net income per share, diluted from net (loss) income and net (loss) income per share, respectively, can be found in section 10.1 of this MD&A.

5 BUSINESS SEGMENT FINANCIAL RESULTS

5.1 Operating results by segment and corporate

Our resegmented Adjusted revenues for the first quarter of 2017 are as follows:

Three months ended March 31, 2017							
	New Segments						
Previous Segments	Global Payments Solutions		Global Lending Solutions		Financial Solutions		Total
Global Transactions Banking Solutions (GTBS)	Global payment technologies(including US payments and Global payments)	$68,136			Merchant services (now part of Enterprise solutions)	$11,830	**$87,793**
	Treasury technologies (including cash management and financial messaging)	$7,827					
Lending and Integrated Core Solutions (L&IC)			Lending solutions - US	$74,196	Integrated core solutions (now referred to as Core Platforms, part of Enterprise solutions)	$69,405	**$143,601**
Canada			Lending solutions - Canada	$92,724	Payment solutions (now referred to as Retail solutions)	$74,344	**$167,068**
Total	**Global Payment Solutions**	**$75,963**	**Global Lending Solutions**	**$166,920**	**Financial Solutions**	**$155,579**	**$398,462**

Our resegmented Adjusted revenues for the first quarter of 2016 are as follows:

Three months ended March 31, 2016							
	New Segments						
Previous Segments	Global Payments Solutions		Global Lending Solutions		Financial Solutions		**Total**
Global Transactions Banking Solutions (GTBS)	Global payment technologies(including US payments and Global payments)	$72,859			Merchant services (now part of Enterprise solutions)	$12,883	**$95,251**
	Treasury technologies (including cash management and financial messaging)	$9,509					
Lending and Integrated Core Solutions (L&IC)			Lending solutions - US	$75,637	Integrated core solutions (now referred to as Core Platforms, part of Enterprise solutions)	$73,944	**$149,581**
Canada			Lending solutions - Canada	$89,758	Payment solutions (now referred to as Retail solutions)	$79,597	**$169,355**
Total	**Global Payment Solutions**	**$82,368**	**Global Lending Solutions**	**$165,395**	**Financial Solutions**	**$166,424**	**$414,187**

Our segment and corporate financial results are as follows:

(In thousands of dollars, unless otherwise noted)					**Three months ended March 31, 2017**
	Global Payment Solutions	**Global Lending Solutions**	**Financial Solutions**	**Corporate**	**Consolidated**
Revenues	**$ 75,963**	**$ 166,470**	**$ 155,427**	**$ —**	**$ 397,860**
Expenses	**64,734**	**108,225**	**116,320**	**26,029**	**315,308**
EBITDA [1]	**$ 11,229**	**$ 58,245**	**$ 39,107**	**$ (26,029)**	**$ 82,552**
EBITDA margin [1]	**14.8%**	**35.0%**	**25.2%**	**—**	**20.7%**
Adjusted revenues [1]	**$ 75,963**	**$ 166,920**	**$ 155,579**	**$ —**	**$ 398,462**
Adjusted expenses [1]	**$ 63,801**	**$ 107,810**	**$ 116,560**	**$ 12,233**	**$ 300,404**
Adjusted EBITDA [1]	**$ 12,162**	**$ 59,110**	**$ 39,019**	**$ (12,233)**	**$ 98,058**
Adjusted EBITDA margin [1]	**16.0%**	**35.4%**	**25.1%**	**—**	**24.6%**

(In thousands of dollars, unless otherwise noted)					Three months ended March 31, 2016
	Global Payment Solutions	Global Lending Solutions	Financial Solutions	Corporate	Consolidated
Revenues	$ 81,307	$ 164,617	$ 166,225	$ —	$ 412,149
Expenses	66,913	110,251	123,827	18,909	319,900
EBITDA [1]	$ 14,394	$ 54,366	$ 42,398	$ (18,909)	$ 92,249
EBITDA margin [1]	17.7%	33.0%	25.5%	—	22.4%
Adjusted revenues [1]	$ 82,368	$ 165,395	$ 166,424	$ —	$ 414,187
Adjusted expenses [1]	$ 62,623	$ 108,712	$ 123,271	$ 16,614	$ 311,220
Adjusted EBITDA [1]	$ 19,745	$ 56,683	$ 43,153	$ (16,614)	$ 102,967
Adjusted EBITDA margin [1]	24.0%	34.3%	25.9%	—	24.9%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.GTBS segment information covers period from April 30, 2015 to March 31, 2016.

5.2 Global Payments Solutions segment

Business overview

The Global Payments Solutions ("GPS") segment products and services enable customers, which primarily include large domestic or global financial institutions, to manage all types of payments, within and across national borders, from and to any channel, with a high degree of automation and straight-through-processing. The GPS segment offers a comprehensive line of transaction banking solutions including global and domestic payments solutions, financial messaging, corporate cash and liquidity management.

Revenues and Adjusted revenues

(In thousands of dollars, unless otherwise noted)				Three months ended March 31
	2017	2016	$ Change	% Change
Total revenues	**$ 75,963**	$ 81,307	$ (5,344)	(6.6)%
Total Adjusted revenues [1]	**$ 75,963**	$ 82,368	$ (6,405)	(7.8)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted revenues

We use Adjusted revenues as a performance measure as it normalizes the impact of applying acquisition accounting (see section 10.1 of this MD&A for full discussion). These adjustments which increased Adjusted revenues, do not increase cash.

GPS Adjusted revenues decreased by $6.4 million or 7.8% from $82.4 million in the first quarter of 2016 to $76.0 million in the first quarter of 2017 of which $2.8 million was due to the impact of changes foreign exchange rates from USD to CAD from the prior quarter. Excluding the impacts of foreign exchange, Adjusted revenues decreased by $3.5 million, on a constant currency basis, primarily due to customer contracts related to non-recurring implementation services which increased our professional services and software license revenues in the first quarter of 2016. The decrease was further impacted by changes in acquisition accounting adjustments which also decreased Adjusted revenues by $1.1 million.

Bookings

In the first quarter of 2017, GPS bookings increased 1.0% to US$42.2 million. Our global payments technologies bookings totaled US$33.2 million in the first quarter of 2017, flat from prior year same quarter.

Refer to section 10.1 of this MD&A for the definition of bookings.

Adjusted revenues by type [1, 2, 3]

(In thousands of dollars, unless otherwise noted)

	Three months ended March 31						
	2017		2016		$ Change	% Change
SaaS	$ **21,318**	**28%**	$ 21,346	26%	$ (28)	(0.1)%
License (Perpetual and Term)	**5,601**	**7%**	7,694	9%	(2,093)	(27.2)%
Maintenance	**21,397**	**28%**	21,109	26%	288	1.4 %
Professional Services	**27,647**	**36%**	32,190	39%	(4,543)	(14.1)%
Other	**—**	**—%**	29	—%	(29)	(100.0)%
Total	$ **75,963**	**100%**	$ 82,368	100%	$ (6,405)	(7.8)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.
2. The definitions of these revenue types can be found in Section 10.1.
3. % Totals may not add due to rounding

Adjusted revenues by type for the first quarter of 2017 compared to the same prior year period reflects the following impacts of our segment results:

- Lower professional services and license revenues is primarily attributable to non-recurring implementations in our global payment hub and cah management businesses. The impact of foreign exchange also resulted in a decrease in professional services and license revenue of $0.8 million and $0.1 million, respectively.
- The impact of changes in foreign exchange rates also resulted in a decrease in our SaaS and maintenance revenue of $1.1 million and $0.8 million, respectively.

Expenses

(In thousands of dollars, unless otherwise noted)

	Three months ended March 31			
	2017	2016	$ Change	% Change
Employee compensation and benefits[1]	$ **43,998**	$ 48,707	$ (4,709)	(9.7)%
Non-compensation direct expenses [2]	**676**	784	(108)	(13.8)%
Other operating expenses [3]	**20,060**	17,422	2,638	15.1 %
Total expenses	$ **64,734**	$ 66,913	$ (2,179)	(3.3)%

1. Employee compensation and benefits expenses include incentive compensation expenses and costs related to risk, branding, finance and governance at D+H Corporate. These costs are net of amounts capitalized related to software product development. Adjusted expenses relating to employee compensation and benefits excludes $0.7 million relating to the realignment of global operations and other restructuring expenses and acquisition related and other charges (2016 - $4.6 million excluded relating to the realignment of global operations and other restructuring expenses and acquisition related and other charges).
2. Non-compensation direct expenses include material, shipping and selling expenses. There were no adjustments made to non-compensation direct expenses for the three months ended March 31, 2017. In 2016, there were $0.7 million of adjustments relating to acquisition accounting adjustments.
3. Other operating expenses include occupancy costs, professional fees, communication costs, repairs and maintenance costs, travel expenses, marketing and promotion expenses, and expenses not included in other categories. Adjusted expenses relating to other expenses excludes $0.2 million relating to the realignment of global operations and other restructuring expenses (2016 - $0.4 million excluded relating to acquisition related and other charges and the realignment of global operations and other restructuring expenses).

Adjusted expenses

Adjusted expenses normalize the impacts of items that are not considered indicative of the underlying business performance for the periods being reviewed as management believes that excluding these adjustments is more reflective of ongoing operating results (see section 10.1 of this MD&A for full discussion and reconciliation to Adjusted expenses).

Employee compensation and benefits

Employee compensation and benefits expenses in the first quarter of 2017 decreased by $0.8 million or 1.8% from $44.1 million in the first quarter of 2016 to $43.3 million in the first quarter of 2017. The decrease was primarily due to the impact of foreign exchange rate change which decreased employee compensation and benefits expense by $2.1 million which was partially offset by higher compensation expenses as a result of a larger employee base in our Global Payments business compared to the prior quarter due to investments in product development initiatives.

Non-compensation direct expenses

Non-compensation direct expenses decreased in the first quarter of 2017 by $0.8 million or 54.4% from $1.5 million in the first quarter of 2016 to $0.7 million in the first quarter of 2017.

Other operating expenses

Other operating expenses increased by $2.8 million or 16.4% from $17.0 million in the first quarter of 2016 to $19.8 million in the first quarter of 2017, primarily due to higher consulting and other professional fees. These increases were partially offset by the impact of foreign exchange rate change which decreased other operating expenses by $1.1 million.

EBITDA and EBITDA margin[1]

(In thousands of dollars, unless otherwise noted)				Three months ended March 31
	2017	2016	$ Change	% Change
EBITDA [1]	**$ 11,229**	$ 14,394	$ (3,165)	(22.0)%
EBITDA margin [1]	**14.8%**	17.7%		(2.9)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted EBITDA and Adjusted EBITDA margin[1]

(In thousands of dollars, unless otherwise noted)				Three months ended March 31
	2017	2016	$ Change	% Change
Adjusted EBITDA [1]	**$ 12,162**	$ 19,745	$ (7,583)	(38.4)%
Adjusted EBITDA margin [1]	**16.0%**	24.0%		(8.0)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted EBITDA and Adjusted EBITDA margin for the first quarter of 2017 reflect the changes in Adjusted revenues and Adjusted expenses period over period as discussed above.

5.3 Global Lending Solutions segment

Business overview

The Global Lending Solutions ("GLS") segment, which currently serves approximately 5,000 financial institutions, includes U.S. Lending Solutions and Canada Lending Solutions. Our U.S. Lending Solutions products help serve clients with products across a wide range of loan types including commercial, consumer and mortgage lending, enabling clients to leverage their technology investments across multiple lines of business. Canada Lending Solutions products help lenders manage debt collateral and the residential mortgage process, and assist various governments and banks in managing their student lending programs.

Revenues and Adjusted revenues

(In thousands of dollars, unless otherwise noted)				Three months ended March 31
	2017	2016	$ Change	% Change
Lending solutions - US	**$ 73,746**	$ 74,859	$ (1,113)	(1.5)%
Lending solutions - Canada	**92,724**	89,758	2,966	3.3 %
Total revenues	**$ 166,470**	$ 164,617	$ 1,853	1.1 %
Lending solutions - US	**$ 74,196**	$ 75,637	$ (1,441)	(1.9)%
Lending solutions - Canada	**92,724**	89,758	2,966	3.3 %
Total Adjusted revenues[1]	**$ 166,920**	$ 165,395	$ 1,525	0.9 %

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted revenues

We use Adjusted revenues as a performance measure as it normalizes the impact of applying acquisition accounting (see section 10.1 of this MD&A for full discussion). These adjustments which increased Adjusted revenues, do not increase cash.

Adjusted revenues increased by $1.5 million from $165.4 million in the first quarter of 2016 to $166.9 million in the first quarter of 2017. The increase was primarily due to increased revenue in our Canadian lending solutions of $3.0 million and our US lending solutions of $1.0 million which was partially offset by changes in foreign exchange rate in our US lending solutions of $2.4 million.

The increase in our Canada lending solutions revenue was primarily due to volume growth in our collateral management solutions and volume growth and increased professional services revenue in our student lending solutions. The increase in our US lending solutions revenue was primarily due to increased revenues as a result of increased renewal volumes, bookings and backlog delivery in our LaserPro and related lending solutions. In addition, mortgage lending service revenues increased as a result of a larger client base due to prior year bookings. The increase was partially offset by lower consumer lending revenue due to timing of our backlog delivery and lower bookings from the prior quarter.

Bookings

GLS bookings (U.S. Lending solutions only) in the first quarter of 2017 totalled US$22.5 million representing a decrease of 20.1% in first quarter of 2017 compared to the first quarter of 2016. Our mortgage lending solutions bookings declined due to lower customer acquisition relative to the prior year and customer decision delays related to the Proposed Transaction. LaserPro bookings were up 9% in the first quarter of 2017 compared to the first quarter of 2016 with attached products resulting in a revenue delay included in 32% of new LaserPro contract value which is consistent with the first quarter of 2016.

See section 10.1 of this MD&A for the definition of Bookings.

Adjusted revenues by type [1, 2, 4]

(In thousands of dollars, unless otherwise noted) — Three months ended March 31

		2017			2016			$ Change	% Change
SaaS	**$**	**31,463**	**19%**	$	32,778	20%	$	(1,315)	(4.0)%
License (Perpetual and Term)		**25,748**	**15%**		24,716	15%		1,032	4.2 %
Maintenance		**20,699**	**12%**		21,816	13%		(1,117)	(5.1)%
Professional Services		**5,386**	**3%**		6,844	4%		(1,458)	(21.3)%
Transaction Processing Services		**81,895**	**49%**		78,345	47%		3,550	4.5 %
Other [3]		**1,729**	**1%**		896	1%		833	93.0 %
Total	**$**	**166,920**	**100%**	$	165,395	100%	$	1,525	0.9 %

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.
2. The definitions of these revenue types can be found in Section 10.1.
3. Other revenue primarily includes termination fee revenue
4. % Totals may not add due to rounding.

Adjusted revenues by type for the first quarter of 2017 compared to the same prior year period reflects the following impacts of our segment results:

- Transaction processing services revenue increased in the first quarter of 2017 as a result of higher volumes in our collateral management and student lending solutions.
- License revenues for term contracts increased in the first quarter of 2017 due to increased bookings, renewals and backlog delivery in LaserPro and related lending solutions which were partially offset by foreign exchange rate changes.
- Professional Services revenues decreased in the first quarter of 2017 due to foreign exchange rate changes and lower volumes in our commercial lending solution.
- SaaS revenues have decreased in the first quarter of 2017 as a result of foreign exchange rate change.
- Maintenance revenues decreased in the first quarter primarily due to foreign exchange rate changes and rationalized products in our U.S. lending solutions
- Other revenues increased in the first quarter of 2017 due to early termination fees in U.S. mortgage solutions.

Expenses

(In thousands of dollars, unless otherwise noted) — Three months ended March 31

		2017		2016		$ Change	% Change
Employee compensation and benefits[1]	**$**	**48,107**	$	49,300	$	(1,193)	(2.4)%
Non-compensation direct expenses [2]		**39,548**		39,081		467	1.2 %
Other operating expenses [3]		**20,570**		21,870		(1,300)	(5.9)%
Total expenses	**$**	**108,225**	$	110,251	$	(2,026)	(1.8)%

Adjusted expenses

(In thousands of dollars, unless otherwise noted) — Three months ended March 31

		2017		2016		$ Change	% Change
Employee compensation and benefits [1]	**$**	**47,291**	$	47,240	$	51	0.1 %
Non-compensation direct expenses [2]		**39,949**		39,651		298	0.8 %
Other operating expenses [3]		**20,570**		21,821		(1,251)	(5.7)%
Total expenses	**$**	**107,810**	$	108,712	$	(902)	(0.8)%

1. Employee compensation and benefits expenses include incentive compensation expenses and costs related to risk, branding, finance and governance at D+H Corporate. These costs are net of amounts capitalized related to software product development. Adjusted expenses relating to employee compensation and benefits excludes $0.8 million relating to the realignment of global operations and other restructuring expenses (2016 - $2.1 million excluded relating to the realignment of global operations and other restructuring expenses and acquisition related and other charges).
2. Non-compensation direct expenses include materials, shipping, selling, royalties and third-party direct disbursements. Adjusted expenses relating to non-compensation direct expenses includes $0.4 million relating to acquisition accounting adjustments (2016 - $0.6 million included relating to acquisition accounting adjustments).
3. Other operating expenses include occupancy costs, communication costs, professional fees, transaction costs related to acquisition of businesses and expenses not included in other categories.

Adjusted expenses
Adjusted expenses normalize the impacts of items that are not considered indicative of the underlying business performance for the periods being reviewed as management believes that excluding these adjustments is more reflective of ongoing operating results (see section 10.1 of this MD&A for full discussion and reconciliation to Adjusted expenses).

Employee compensation and benefits
Employee compensation and benefits expenses in the first quarter increased by $0.1 million or 0.1% from $47.2 million in the first quarter of 2016 to $47.3 million in the first quarter of 2017, primarily due increased temporary labour costs during the quarter related to product delivery and annual merit increases which were partially offset by higher capitalized development costs related to product development. Foreign exchange rate changes reduced employee compensation and benefits expense by $1.1 million.

Non-compensation direct expenses
Non-compensation direct expenses in the first quarter increased by $0.3 million or 0.8% from $39.7 million in the first quarter of 2016 to $39.9 million in the first quarter of 2017. The increases were primarily due to increased costs from volume increases in collateral management solutions which is partially mitigated by lower support costs in collateral management and student lending solutions.

Other operating expenses
Other operating expenses decreased by $1.3 million or 5.7% from $21.8 million in the first quarter of 2016 to $20.6 million in the first quarter of 2017, primarily due to customer related costs incurred in the prior year quarter which did not recur in the current period, and to a lesser extent, the impact of foreign exchange rate changes which reduced other operating expenses by $0.5 million.

EBITDA and EBITDA margin[1]

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
EBITDA [1]	**$ 58,245**	$ 54,366	$ 3,879	7.1 %
EBITDA margin [1]	**35.0%**	33.0%		2.0 %

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted EBITDA and Adjusted EBITDA margin[1]

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
Adjusted EBITDA [1]	**$ 59,110**	$ 56,683	$ 2,427	4.3 %
Adjusted EBITDA margin [1]	**35.4%**	34.3%		1.1 %

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted EBITDA and Adjusted EBITDA margin for the first quarter of 2017 reflect the changes in Adjusted revenues and Adjusted expenses period over period as discussed above.

5.4 Financial Solutions segment

Business overview
The Financial Solutions ("FS") segment primarily comprises the Company's operations in enterprise solutions in the U.S., and retail solutions in Canada. Enterprise solutions in the U.S. include D+H's core banking platform offerings, cloud, channels and business intelligence, payments and integration, and merchant services while our retail solutions in Canada include cheques, enhancement services and payment manager.

Revenues and Adjusted revenues[1]

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
Retail solutions	**$ 74,344**	$ 79,598	$ (5,254)	(6.6)%
Enterprise solutions	**81,083**	86,627	(5,544)	(6.4)%
Total revenues	**$ 155,427**	$ 166,225	$ (10,798)	(6.5)%
Retail solutions	**$ 74,344**	$ 79,597	$ (5,253)	(6.6)%
Enterprise solutions	**81,235**	86,827	(5,592)	(6.4)%
Total Adjusted revenues[1]	**$ 155,579**	$ 166,424	$ (10,845)	(6.5)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

Adjusted Revenues
We use Adjusted revenues as a performance measure as it normalizes the impact of applying acquisition accounting (see section 10.1 of this MD&A for full discussion). These adjustments which increased Adjusted revenues, do not increase cash.

Adjusted revenues for the first quarter of 2017 decreased from $166.4 million in the first quarter of 2016 to $155.6 million in the first quarter of 2017, a $10.8 million or 6.5% decrease. The decrease was driven by a decline of $5.6 million and $5.3 million in our enterprise and retail solutions businesses, respectively.

The decline in our enterprise solutions revenue for the quarter was primarily due to the impact of foreign exchange rate changes, which reduced revenues by $3.4 million, a decrease of $1.9 million due to discontinuing non-strategic products during 2016, lower bookings and client attrition in some of our core product solutions and lower revenues in our channel solutions which were partially offset by increased revenues from our card payments solutions as a result of prior period bookings.

The decline in our retail solutions revenue was primarily due to lower volumes in our cheque business and enhancement services which was partially offset by higher average order values in the cheque program.

Bookings

Financial solutions bookings in the first quarter of 2017 totalled US$19.7 million representing a decrease of 26.6% in first quarter of 2017 compared to the first quarter of 2016. The decline is mostly driven by lower core and channel bookings due to lower customer acquisition relative to the prior year and customer decision delays related to the Proposed Transaction. This decline was partially offset by strength in add-on channel booking attributed to our alliance with Malazai, and by an increase in our hosted solutions bookings compared to the same quarter last year.

See section 10.1 of this MD&A for the definition of Bookings.

Adjusted revenues by type [1, 2, 4]

(In thousands of dollars, unless otherwise noted) Three months ended March 31

		2017			2016			$ Change	% Change
SaaS	**$**	**49,126**	**32%**	$	49,676	30%	$	(550)	(1.1)%
License (Perpetual and Term)		**5,358**	**3%**		4,601	3%		757	16.5 %
Maintenance		**15,707**	**10%**		17,761	11%		(2,054)	(11.6)%
Professional Services		**6,450**	**4%**		8,491	5%		(2,041)	(24.0)%
Canadian Payments Products/Solutions		**74,343**	**48%**		79,597	48%		(5,254)	(6.6)%
Other [3]		**4,595**	**3%**		6,298	4%		(1,703)	(27.0)%
Total	**$**	**155,579**	**100%**	$	166,424	100%	$	(10,845)	(6.5)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.
2. The definitions of these revenue types can be found in Section 10.1.
3. Other revenue primarily includes termination fee revenue, delivery income and hardware sales.
4. % Totals may not add due to rounding.

Adjusted revenues by type for the first quarter of 2017 compared to the same prior year period reflects the following impacts of our segment results:

- Canadian payments products/solutions which includes cheque products and enhancement services and other solutions decreased in the first quarter primarily due to volume declines.
- Professional services revenue which includes implementation activities decreased in the first quarter due to lower bookings, attrition of some of our core solutions and product rationalization.
- Maintenance revenue decreased mainly due to client attrition in some of our core solutions in addition to the impact of foreign exchange changes which resulted in a decrease in maintenance revenue of $0.8 million.
- Other revenue declined due to decrease in termination fees and lower delivery income.
- The increase in our SaaS revenues were offset by changes in foreign exchange rate changes which resulted in a decrease in our SaaS revenues of $2.1 million.

Expenses

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
Employee compensation and benefits[1]	**$ 42,928**	$ 52,235	$ (9,307)	(17.8)%
Non-compensation direct expenses[2]	**54,904**	53,814	1,090	2.0 %
Other operating expenses[3]	**18,488**	17,778	710	4.0 %
Total expenses	**$ 116,320**	$ 123,827	$ (7,507)	(6.1)%

Adjusted expenses

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
Employee compensation and benefits[1]	**$ 42,255**	$ 50,457	$ (8,202)	(16.3)%
Non-compensation direct expenses[2]	**55,833**	55,157	676	1.2 %
Other operating expenses[3]	**18,472**	17,657	815	4.6 %
Total expenses	**$ 116,560**	$ 123,271	$ (6,711)	(5.4)%

1. Employee compensation and benefits expenses include incentive compensation expenses and costs related to risk, branding, finance and governance at D+H Corporate. These costs are net of amounts capitalized related to software product development. Adjusted expenses relating to employee compensation and benefits excludes $0.7 million relating to the realignment of global operations and other restructuring expenses (2016 - $1.8 million excluded relating to the realignment of global operations and other restructuring expenses and acquisition related and other charges).
2. Non-compensation direct expenses include materials, shipping, selling, royalties and third-party direct disbursements. Adjusted expenses relating to non-compensation direct expenses includes $0.9 million relating to acquisition accounting adjustments (2016 - $1.3 million included relating to acquisition accounting adjustments).
3. Other operating expenses include occupancy costs, communication costs, professional fees, insurance, legal and other expenses not included in other categories. Adjusted expenses relating to other expenses excludes $nil and $0.1 million of costs for the first quarter of 2017 and 2016, respectively, relating to the realignment of global operations and other restructuring expenses and acquisition related and other charges.

Adjusted expenses

Adjusted expenses normalize the impacts of items that are not considered indicative of the underlying business performance for the periods being reviewed as management believes that excluding these adjustments is more reflective of ongoing operating results (see section 10.1 of this MD&A for full discussion and reconciliation to Adjusted expenses).

Employee compensation and benefits

Employee compensation and benefits costs decreased in the first quarter by $8.2 million or 16.3% from $50.5 million in the first quarter of 2016 to $42.3 million in the first quarter of 2017. The decrease in the first quarter is primarily due to reduced headcount from our global operating model changes and cheque modernization efficiencies. Foreign exchange rate changes also reduced employee compensation and benefits expense by $1.3 million.

Non-compensation direct expenses

Non-compensation direct expenses increased in the first quarter by $0.7 million or 1.2% from $55.2 million in the first quarter of 2016 to $55.8 million in the first quarter of 2017. The increase is primarily attributable to the increase in direct costs, consistent with the increase in revenues in card payments solutions and direct costs related to outsourcing of product support for certain products within enterprise solutions. These increases were partially offset by lower direct costs as a result of decline in cheque and subscription revenues. The impact of foreign exchange rate changes also reduced non-compensation direct expenses by $0.8 million.

Other operating expenses

For the first quarter of 2017, other operating expenses increased by $0.8 million or 4.6% from $17.7 million in the first quarter of 2016 to $18.5 million in the first quarter of 2017. This increase was primarily due to software support costs partially offset by the impact of foreign exchange rate changes, which reduced other operating expenses by $0.4 million.

EBITDA and EBITDA margin[1]

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
EBITDA[1]	**$ 39,107**	$ 42,398	$ (3,291)	(7.8)%
EBITDA margin[1]	**25.2%**	25.5%		(0.3)%

Adjusted EBITDA and Adjusted EBITDA margin[1]

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
Adjusted EBITDA[1,2]	**$ 39,019**	$ 43,153	$ (4,134)	(9.6)%
Adjusted EBITDA margin[1,2]	**25.1%**	25.9%		(0.8)%

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.
2. Adjusted EBITDA and EBITDA, and their respective margins, are the same under the Canadian segment.

Adjusted EBITDA and Adjusted EBITDA margin for the first quarter of 2017 reflect the changes in Adjusted revenues and Adjusted expenses period over period as discussed above.

5.5 Corporate

Segment overview

The Corporate segment consists of the corporate overhead costs that are not allocated to operating segments. Corporate overhead costs relate to human resources, finance, legal, accounting, merger and acquisition activities as well as other costs that are not considered when management evaluates segment performance.

Expenses

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
Employee compensation and benefits[1]	**$ 10,211**	$ 8,505	$ 1,706	20.1 %
Other operating expenses [2]	**15,818**	10,404	5,414	52.0 %
Total expenses	**$ 26,029**	$ 18,909	$ 7,120	37.7 %

Adjusted expenses

(In thousands of dollars, unless otherwise noted)	Three months ended March 31			
	2017	2016	$ Change	% Change
Employee compensation and benefits[1]	**$ 9,592**	$ 8,206	$ 1,386	16.9 %
Other operating expenses [2]	**2,641**	8,408	(5,767)	(68.6)%
Total expenses	**$ 12,233**	$ 16,614	$ (4,381)	(26.4)%

1. Employee compensation and benefits expenses include incentive compensation expenses and costs related to risk, branding, finance and governance at D+H Corporate. These costs are net of amounts capitalized related to software product development. Adjusted expenses relating to employee compensation and benefits excludes $0.6 million relating to the realignment of global operations and other restructuring expenses (2016 - $0.3 million was excluded relating to realignment of global operations and other restructuring expenses and acquisition related and other charges).
2. Other operating expenses include occupancy costs, communication costs, professional fees, insurance, legal and other expenses not included in other categories. Adjusted expenses relating to other expenses excludes $13.2 million of costs related to the Proposed Transaction as noted in section 2 and foreign exchange losses (2016 - $2.0 million excluded relating to acquisition related and other charges, the realignment of global operations and other restructuring expenses and foreign exchange losses).

Adjusted expenses

Adjusted expenses normalize the impacts of items that are not considered indicative of the underlying business performance for the periods being reviewed as management believes that excluding these adjustments is more reflective of ongoing operating results (see section 10.1 of this MD&A for full discussion and reconciliation to Adjusted expenses).

Employee compensation and benefits

Employee compensation and benefits costs increased in the first quarter by $1.4 million or 16.9% from $8.2 million in the first quarter of 2016 to $9.6 million in the first quarter of 2017. The increase in the first quarter is primarily due to higher incentive compensation compared to the first quarter of 2016 as well as the impact of annual merit increases.

Other operating expenses

Other expenses decreased in the first quarter by $5.8 million or 68.6% from $8.4 million in the first quarter of 2016 to $2.6 million in the first quarter of 2017. The decrease is primarily due to lower lower legal and professional fees and lower travel and trade show expenses.

6 SUMMARY OF EIGHT QUARTER CONSOLIDATED RESULTS

(In thousands of dollars, unless otherwise noted)	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**$397,860**	$425,812	$417,709	$424,187	$412,149	$424,145	$415,076	$372,376
Expenses	**315,308**	301,090	311,247	329,071	319,900	307,305	287,536	286,025
EBITDA [1]	**82,552**	124,722	106,462	95,116	92,249	116,840	127,540	86,531
EBITDA margin [1]	**20.7%**	29.3%	25.5%	22.4%	22.4%	27.5%	30.7%	23.2%
Depreciation and amortization	**72,695**	91,948	70,318	73,045	76,670	80,399	71,831	58,231
Impairment of goodwill	**—**	121,041	—	—	—	—	—	—
(Loss) income from operating activities	**9,857**	(88,267)	36,144	22,071	15,579	36,441	55,709	28,300
Finance expense	**24,821**	26,058	25,759	25,641	26,476	28,551	25,488	27,364
(Loss) income before income taxes	**(14,964)**	(114,325)	10,385	(3,570)	(10,897)	7,890	30,221	936
Income tax (recovery) expense	**(12,233)**	(19,912)	(6,195)	(8,953)	(15,684)	(5,444)	(474)	(5,223)
(Loss) net income for the period	**$ (2,731)**	$ (94,413)	$ 16,580	$ 5,383	$ 4,787	$ 13,334	$ 30,695	$ 6,159
Net (loss) income per share, diluted	**$ (0.03)**	$ (0.88)	$ 0.16	$ 0.05	$ 0.04	$ 0.13	$ 0.29	$ 0.06
Dividends declared per share	**$ 0.12**	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32
Exchange rate (Canadian dollars for one U.S. dollar)								
Average exchange rate for the period	**1.3240**	1.3341	1.3047	1.2883	1.3741	1.3351	1.3093	1.2294
Exchange rate as at period end date	**1.3299**	1.3427	1.3117	1.2917	1.2987	1.3840	1.3345	1.2490

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

The Company's segments experience seasonal fluctuations in their businesses. The GPS segment is subject to seasonal and contractual fluctuations in its volume-based SaaS offerings and its payments hub solution, respectively. The payments hub offerings, which are multiple-deliverable arrangements, have license and professional services revenue recognition that are typically percentage-of-completion based and have historically had milestone activity weighted towards the end of the year. However, due to the size and complexity of on-premise licensee payment hub contracts and the timing of customer decisioning, it is possible to see variations in revenue growth in any quarter. Additionally, SaaS transaction volumes tend to increase during the fourth quarter. As a result, revenue recognition is typically higher during the fourth quarter and EBITDA margins are generally expanded.

The GLS segment generally experiences sequentially higher revenue by quarter over the course of the year. The second and third quarters are favourably impacted by increased Canadian automotive sales and mortgage market activity which drives volumes in our mortgage technology and collateral management product offerings. The fourth quarter typically experiences the highest revenue due to the buying patterns of the U.S. clients and the timing of renewals for SaaS and term based license products.

The Financial Solutions segment does not typically experience fluctuations in revenue due to seasonality.

The largest expense incurred in the business relates to the team members employed globally to deliver services to customers and execute on the Company's strategy. These expenses are largely fixed, however vary somewhat with the number of team members, incentive compensation and foreign exchange rates. In addition, particularly in the GLS and Financial Solutions segments, there are non-compensation direct expenses that relate directly to the volume or value of transactions or services delivered. As a result, the margins in the operating segments and consolidated for the Company will fluctuate in the quarters and typically increase in the second half of the year compared to the first half of the year.

Additional Information

(In thousands of dollars, unless otherwise noted)	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Adjusted revenues [1]	**$398,462**	$426.468	$418.445	$425.337	$414,187	$437,709	$418,762	$375,163
Adjusted EBITDA[1]	**$ 98,058**	$120,790	$109,637	$116,545	$102,967	$150,145	$127,420	$110,159
Adjusted EBITDA margin [1]	**24.6%**	28.3%	26.2%	27.4%	24.9%	34.3%	30.4%	29.4%
Debt to EBITDA [1]	**3.257x**	3.276x	3.071x	2.998x	3.016x	3.185x	3.441x	3.389x
Net cash from operating activities	**$ 68,091**	$100,857	$ 82,480	$ 55,362	$ 54,773	$ 96,109	$ 63,559	$ 51,890
Adjusted net cash from operating activities [1]	**$ 82,910**	$ 99,975	$ 84,037	$ 79,571	$ 67,218	$112,383	$ 79,396	$ 71,102
Adjusted net income for the period [1]	**$ 45,053**	$ 57,032	$ 52,832	$ 58,914	$ 45,436	$ 82,715	$ 65,154	$ 59,640
Adjusted net income per share, diluted [1]	**$ 0.42**	$ 0.53	$ 0.49	$ 0.55	$ 0.43	$ 0.78	$ 0.61	$ 0.60

1. Non-IFRS measure: see Non-IFRS financial measures and key performance indicators in Section 10.1 for additional information and reconciliation to IFRS measures.

7 CAPITAL STRUCTURE AND LIQUIDITY

D+H's capital structure is primarily comprised of a secured Credit Facility, secured notes, unsecured convertible debentures and common shares.

7.1 Credit facilities, convertible debentures and other borrowings

The movements in D+H's secured debt during the first quarter of 2017 are as follows:

Debt roll-forward

(In thousands of CAD dollars)	Three months ended March 31, 2017				
	Credit Facility [1]		Bonds [2]		Total
Debt denominated in	**CAD**	**USD**	**CAD**	**USD**	
Balance, January 1, 2017	$ **9,400**	$ **876,273**	$ **100,000**	$ **536,409**	$ **1,522,082**
Repayments	**(9,400)**	**—**	**—**	**—**	**(9,400)**
Foreign exchange adjustments	**—**	**(8,354)**	**—**	**(5,114)**	**(13,468)**
Balance, March 31, 2017	$ **0**	$ **867,919**	$ **100,000**	$ **531,295**	$ **1,499,214**

1. Upon change of control, all credit facilities will be repaid in full, together with unpaid accrued interest.
2. Upon change of control, all bonds will be repaid in full, together with unpaid accrued interest and the Yield-Maintenance Amount.

In the first quarter of 2017, we repaid $9.4 million of debt from cash generated from operations.

Convertible debentures
As at March 31, 2017, net of conversions to date, the Company had $229.3 million principal amount of 6% unsecured, convertible debentures outstanding. These are convertible at the option of the holder to common shares at a conversion price of $28.90 per common share, representing 34.6 common shares per $1,000 principal amount of the convertible debenture, for a total of 7,934,291 shares.

The Company also had $230.0 million principal amount of 5% convertible unsecured subordinated debentures outstanding as at March 31, 2017 issued in connection with the acquisition of Fundtech. These are convertible at the option of the holder to common shares at a conversion price of $52.75 per common share, representing 19.0 common shares per $1,000 principal amount of the convertible debenture, for a total of 4,360,190 shares.

With respect to the 6% convertible unsecured subordinated debentures, the Company can call the convertible debentures at par, plus accrued and unpaid interest if the Company's share price is in excess of $36.13 ("Call Price") which commenced September 30, 2016 (the "Soft Call Date") and can otherwise call the convertible debentures at par, plus accrued and unpaid interest commencing September 30, 2017 (the "Hard Call Date").

With respect to the 5% convertible unsecured subordinated debentures, the Call Price is $65.94 and the Soft Call Date is September 30, 2018 and Hard Call Date is September 30, 2019.

The amendments to the 6% convertible unsecured subordinated debentures will contemplate a redemption price equal to the amount the holders would otherwise receive on conversion (including any "make-whole premium shares" issuable following a cash change of control) plus a premium of 1% per $1,000 principal amount, plus accrued but unpaid interest up to, but not including, the redemption date.

The amendments to the 5% convertible unsecured subordinated debentures will contemplate a redemption price equal to 101% of the aggregate principal amount, plus accrued but unpaid interest up to, but not including, the redemption date.

Covenants
The Company's Credit Facility and bonds are subject to a number of covenants and restrictions including the requirement to comply with the Debt to EBITDA ratio and the interest coverage ratio as defined in our lending agreements. The covenants for net debt to EBITDA as specified in our amended lending agreements requires the ratio to be a maximum of 3.50x for the quarters ending December 31, 2016 up to September 30, 2017; a maximum of 3.35x for the quarter ending December 31, 2017; a maximum of 3.25x for each subsequent quarter up to June 30, 2018; and 3.00x thereafter.

As at March 31, 2017, the Debt to EBITDA ratio was 3.257x, compared to 3.276x as at December 31, 2016. As at March 31, 2017, the interest coverage ratio was 4.85x, compared to 4.80x at December 31, 2016. As these ratios are not specifically defined by IFRS, section 10 contains additional details on these ratios including their definitions and corresponding calculations.

7.2 Outstanding share information

As at March 31, 2017 and December 31, 2016, D+H had the following common shares outstanding:

Outstanding share information

	March 31, 2017	December 31, 2016
Common shares issued and outstanding	**106,881,956**	106,881,956

Dividend reinvestment plan and stock options outstanding:
During the first quarter of 2015, DH Corporation commenced a DRIP for its Canadian resident shareholders. The DRIP allowed eligible shareholders to reinvest the cash dividends paid on all or a portion of their common shares in additional common shares, which would be issued at an applicable discount to the weighted average trading price of the common shares on the Toronto Stock Exchange during the last five trading days immediately preceding the relevant dividend payment date. As of January 1, 2016, the discount available under DRIP was reduced to nil.

On October 25, 2016, the Company announced the suspension of DRIP.

Dividend reinvestment plan and stock options outstanding	Three months ended March 31	
	2017	2016
Dividends paid in common shares under DRIP from treasury (in thousands of dollars)	**$ —**	$ 9,336
Number of common shares issued under DRIP from treasury	**—**	250,236
Weighted average price of issuance ($)	**$ —**	$ 37.31
Stock options outstanding [1]	**3,463,779**	3,665,616

1. Each stock option is exercisable into one common share of the Company. Refer to note 13 of the Company's unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2017 for further details.

7.3 Financial instruments and commitments

Interest-rate swaps
By way of interest-rate swap contracts, as at March 31, 2017, the Company's borrowing rates on 38.3% of outstanding bank indebtedness under the Credit Facility were effectively fixed (43.5% - December 31, 2016). As a result of these swaps, 72.7% of the interest rates associated with the Company's total debt, including convertible debentures, is effectively fixed (74.5% - December 31, 2016). Refer to the unaudited condensed consolidated financial statements of the Company for the first quarter of 2017 for further details on our interest-rate swaps. See table below for the fixed component of our total indebtedness:

	March 31, 2017			December 31, 2016		
(In thousands of dollars, unless otherwise noted)	**Amounts (in C$)**	**Fixed Component [1]**	**Percentage of amount fixed**	Amounts (in C$)	Fixed Component [1]	Percentage of amount fixed
Credit Facility						
Total Credit Facility	**$ 867,919**	**$ 332,479**	**38.3%**	$ 885,673	$ 380,679	43.0%
Bonds						
Bonds (denominated in CAD)	**$ 100,000**	**$ 100,000**		$ 100,000	$ 100,000	
Bonds (denominated in USD)	**531,295**	**531,295**		536,409	536,409	
Total Bonds Fixed	**$ 631,295**	**$ 631,295**	**100.0%**	$ 636,409	$ 636,409	100.0%
Convertible debentures						
Convertible debentures (6.0%, 5-year)	**$ 229,301**	**$ 229,301**		$ 229,301	$ 229,301	
Convertible debentures (5.0%, 5.5-year)	**230,000**	**230,000**		230,000	230,000	
Total Convertible Debentures Fixed	**$ 459,301**	**$ 459,301**	**100.0%**	$ 459,301	$ 459,301	100.0%
Total	**$ 1,958,515**	**$ 1,423,075**	**72.7%**	$ 1,981,383	$ 1,476,389	74.5%

1. For the Credit Facility, the fixed component represents the total that is effectively hedged by way of interest-rate swaps contracts.

Letters of credit
The Company had outstanding letters of credit of $13.1 million as at March 31, 2017, compared to $13.1 million as at December 31, 2016, which is a part of the total Credit Facility. Letters of credit are issued by the Company, at the request of the beneficiary, as a form of security should the Company not meet its financial contractual obligation.

7.4 Cash Flow

We generate significant cash from our operations which we use to reinvest in our business including acquisitions, to return cash to our shareholders through our dividend program and for repayment of debt. Cash generated from operations, (used in) / from financing activities and used in investing activities are outlined below:

7.4.1 Cash from operating activities

(In thousands of dollars)	Three months ended March 31		
	2017	2016	$ Change
Net (loss) income for the period	**$ (2,731)**	$ 4,787	$ (7,518)
Depreciation and amortization of property, plant and equipment and intangible assets	**72,695**	76,670	(3,975)
Finance expense	**24,821**	26,476	(1,655)
Income tax recovery	**(12,233)**	(15,684)	3,451
Stock options	**792**	733	59
Changes in non-cash working capital and other operating assets and liabilities	**15,136**	(2,346)	17,482
Cash generated from operating activities	**98,480**	90,636	7,844
Interest paid	**(24,890)**	(24,847)	(43)
Income tax paid	**(5,499)**	(11,016)	5,517
Net cash from operating activities	**$ 68,091**	$ 54,773	$ 13,318

During the first quarter of 2017, net cash from operating activities increased by $13.3 million over the comparative period in 2016 mainly due to changes in non-cash working capital and other operating assets and liabilities as discussed below and lower income taxes paid, partially offset by lower finance expense and a lower EBITDA.

Changes in non-cash working capital and other operating assets and liabilities

(In thousands of dollars)	Three months ended March 31		
	2017	2016	$ Change
Changes in non-cash working capital items	**$ 16,601**	$ 9,344	$ 7,257
Changes in other operating assets and liabilities	**(1,465)**	(11,690)	10,225
Changes in non-cash working capital and other operating assets and liabilities	**$ 15,136**	$ (2,346)	$ 17,482

For further information regarding the breakdown of the above balances, please refer to Note 7 of the unaudited condensed interim consolidated financial statements.

7.4.2 Cash (used in) from financing activities

(In thousands of dollars)	Three months ended March 31		
	2017	2016	$ Change
Repayment of loans and borrowings	**$ (9,400)**	$ (20,000)	$ 10,600
Proceeds from exercise of stock options	**—**	1,554	(1,554)
Cash dividends paid	**(12,826)**	(24,753)	11,927
Net cash (used in) from financing activities	**$ (22,226)**	$ (43,199)	$ 20,973

For the first quarter of 2017, net cash used in financing activities included debt repayment of $9.4 million and cash dividend payments of $12.8 million.

7.4.3 Cash used in investing activities

(In thousands of dollars)	Three months ended March 31		
	2017	2016	$ Change
Additions to property, plant and equipment and intangible assets	**$ (26,638)**	$ (20,962)	$ (5,676)

Net cash used in investing activities during the first quarter of 2017 reflected capital asset and intangible asset additions of $26.6 million.

Our capital expenditures typically include information technology hardware and software (external and internally developed), machinery and equipment for our cheque business, leasehold improvements and office furniture. Such amounts are expected to be funded from our operating cash flow. The table below outlines our capital asset additions by type:

(In thousands of dollars)	Three months ended March 31			
	2017	**% of total spend**	2016	% of total spend
Product development, enhancements and corporate systems	**$ 14,718**	**55%**	$ 10,298	49%
Property, plant, equipment and purchased software	**11,920**	**45%**	10,664	51%
Total	**$ 26,638**	**100%**	$ 20,962	100%

Product development, enhancements and corporate systems additions increased by $4.4 million in the first quarter of 2017 over the comparative period as we continue to invest in our solutions and business infrastructure.

Property, plant, equipment and purchased software additions are primarily related to infrastructure required to support the on-going business operations. Expenditures increased by $1.2 million in the first quarter of 2017 in comparison to the first quarter of 2016 due to upgrades to our corporate systems and software tools to support development activities.

The following table outlines a breakdown of the product development and enhancements that we expect to provide future benefits by segment:

(In thousands of dollars)	Three months ended March 31	
	2017	2016
Product development in the GPS segment	**$ 4,759**	$ 2,023
Product development in the GLS segment	**6,793**	3,963
Product development in the Financial Solutions segment	**2,182**	3,303
Corporate technologies	**984**	1,009
Total	**$ 14,718**	$ 10,298

Global Payment Solutions product development and enhancements

In the Global Payments Solutions segment, we are investing in the development of the next generation of our flagship products in Global Payment technologies, including both the Global Pay Plus product and a new product for the U.S. Payments business, in addition to Cash Management, and incremental enhancements in Financial Messaging.

Global Lending Solutions product development and enhancements

In the Global Lending Solutions segment, we invest annually in enhancing our product capabilities and the ability to better serve our clients' needs. Investment in our Lending solutions is focused on our origination and compliance solutions where we are developing next generation technology and expanding our offerings in mortgage, consumer, small business and commercial lending technologies. We are modernizing our student lending solution set, and investing in a SaaS-based platform for the registry of our Collateral Management Solutions and a new SaaS solution for our lending segment. We believe these investments will enable us to maintain our current business and support our growth.

Financial Solutions product development and enhancements

In the Financial Solutions segment, the internal software development focus has primarily been around providing a best in class enterprise core platform, leveraging our award winning core banking solution offering. These strategies are underpinned with additional investment in order to respond to strong market demand for deep Channels and Payment integration with our platforms. Further, we are investing in a digital platform to expand our Enhancement Services product offerings, while also digitizing certain cheque order channels.

Corporate technologies

As we invest in our solutions and infrastructure, we continue to invest in upgrading our corporate information systems that improve efficiencies and advance our global operating capabilities.

8 CHANGES IN FINANCIAL POSITION

(In thousands of dollars, unless otherwise noted)		**March 31, 2017**		December 31, 2016		**$ Change**	% Change
Current assets	**$**	**426,477**	$	387,603	**$**	**38,874**	10.0 %
Non-current assets							
Non-current unbilled receivables	**$**	**88,177**	$	88,928	**$**	**(751)**	(0.8)%
Other non-current assets		**4,506,684**		4,582,346		**(75,662)**	(1.7)%
Total non-current assets	**$**	**4,594,861**	$	4,671,274	**$**	**(76,413)**	(1.6)%
Current liabilities							
Deferred revenues	**$**	**166,857**	$	129,455	**$**	**37,402**	28.9 %
Other current liabilities		**308,646**		315,224		**(6,578)**	(2.1)%
Total current liabilities	**$**	**475,503**	$	444,679	**$**	**30,824**	6.9 %
Non-current liabilities							
Non-current deferred revenues	**$**	**35,668**	$	35,833	**$**	**(165)**	(0.5)%
Other non-current liabilities		**2,398,870**		2,445,739		**(46,869)**	(1.9)%
Total non-current liabilities	**$**	**2,434,538**	$	2,481,572	**$**	**(47,034)**	(1.9)%

The change in our balance sheet in the first quarter of 2017 from the fourth quarter of 2016 was driven by foreign exchange and our operations, as shown in the table below:

(In thousands of dollars)	**March 31, 2017 vs. December 31, 2016 Change**					
		Foreign Exchange		Operations		**Total**
Current assets	$	(1,733)	$	40,607	**$**	**38,874**
Non-current assets						
Non-current unbilled receivables	$	(849)	$	98	**$**	**(751)**
Other non-current assets		(26,935)		(48,727)		**(75,662)**
Total non-current assets	$	(27,784)	$	(48,629)	**$**	**(76,413)**
Current liabilities						
Deferred revenues	$	(767)	$	38,169	**$**	**37,402**
Other current liabilities		(597)		(5,981)		**(6,578)**
Total current liabilities	$	(1,364)	$	32,188	**$**	**30,824**
Non-current liabilities						
Non-current deferred revenues	$	(228)	$	63	**$**	**(165)**
Other non-current liabilities		(17,008)		(29,861)		**(46,869)**
Total non-current liabilities	$	(17,236)	$	(29,798)	**$**	**(47,034)**

Current assets

Current assets as at March 31, 2017 increased by $38.9 million compared to December 31, 2016, mainly due to an increase in cash and cash equivalents of $18.8 million. In addition, there were increases in trade, unbilled and other receivables of $13.7 million, prepayments and other current assets of $5.3 million, and current tax assets of $2.8 million. These increases were partially offset by decreases due to fluctuations in foreign exchange rates of $1.7 million. LaserPro accounts for 41.4% of current unbilled receivables.

Non-current unbilled receivables

Non-current unbilled receivables all relate to term licenses from LaserPro within our GLS segment, where license revenue is recognized upon delivery, however contractual billings occur annually over the term of the contract which typically ranges from 3 to 5 years. Non-current unbilled receivables decreased by $0.8 million as at March 31, 2017 compared to December 31, 2016 due to a $0.8 million decrease in foreign exchange rates, offset by an increase of $0.1 million attributable to timing of revenue recognition related to increased LaserPro term licenses.

Other non-current assets

Other non-current assets as at March 31, 2017 decreased by $75.7 million compared to December 31, 2016, mainly due to a decrease in intangible assets of $51.1 million. The decrease in intangibles is primarily attributed to amortization. Additionally, there was a decrease of $26.9 million due to fluctuations in foreign exchange rates and a decrease in deferred tax assets of $1.8 million. These decreases were partially offset by a net increase in property, plant and equipment of $3.7 million, largely due to additions net of depreciation.

Deferred revenues, current
Deferred revenues relate to undelivered products and services already paid for by clients. The liability converts to revenue upon delivery or fulfillment of our obligation either at a point in time or over time. The current portion of deferred revenues increased by $37.4 million compared to December 31, 2016, primarily due to billing of annual maintenance services in our GPS segment which are to be amortized to revenue throughout the remainder of the year. This increase was offset by a $0.8 million decrease due to fluctuations in exchange rates.

Other current liabilities
Other current liabilities decreased by $6.6 million, primarily due to a decrease in trade payables, accrued and other liabilities of $6.0 million. A decrease due to fluctuations in foreign exchange rates of $0.6 million also attributed to the overall decrease in other current liabilities.

Deferred revenues, non-current
As described above in current deferred revenues, deferred revenues relate to undelivered services for which cash has been received from clients. Non-current deferred revenues also result from hosted or SaaS services that D+H provides where any implementation fees are deferred and recognized into revenue over the term of the SaaS / hosting arrangement.

Non-current deferred revenues balances decreased by $0.2 million compared to December 31, 2016 due to decrease of $0.2 million from fluctuations in foreign exchange rates. This was partially offset by an increase of $0.1 million relating to our GLS segment SaaS and hosting arrangements as described above.

Other non-current liabilities
Other non-current liabilities decreased by $46.9 million compared to December 31, 2016, due to a decrease in deferred tax liabilities of $17.6 million attributable to amortization of intangible assets, a $17.0 million decrease due to fluctuations in foreign exchange rates, a net debt repayment of $9.4 million, and a decrease in other long-term liabilities of $5.9 million. These decreases were partially offset by increases in convertible debentures of $2.3 million.

9 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING STANDARDS DEVELOPMENTS

9.1 Significant accounting policies

Refer to section 9 of our MD&A for the year ended December 31, 2016 and note 3 of our audited Consolidated Financial Statements for the year ended December 31, 2016 for our significant accounting policies. Our accounting policies have been the same since December 31, 2016 except for the following standards that became effective on January 1, 2017.

- IAS 7, Statement of cash flows ("IAS 7")

  At January 1, 2017, the Company adopted this amendment and determined there was no impact on the Company's unaudited condensed interim consolidated financial statements.

- IAS 12, Income taxes ("IAS 12")

  At January 1, 2017, the Company adopted this amendment and determined there was no impact on the Company's unaudited condensed interim consolidated financial statements.

Recent accounting pronouncements not yet adopted

The IASB has issued new standards and amendments to existing standards. These changes have not yet been adopted by the Company and could have an impact on future periods. These following changes are described in our annual consolidated financial statements for the year ended December 31, 2016:

- *IFRS 16, Leases;*
- *IFRS 9, Financial instruments;*
- *IFRS 2, Shared-based Payment; and*
- *IFRS 15, Revenue from Contracts with Customers.*

10 DEFINITIONS AND RECONCILIATIONS

10.1 Non-IFRS financial measures and key performance indicators

The information presented within this MD&A includes certain financial measures such as "Adjusted revenues", "Bookings", "Adjusted expenses", "Constant Currency", "EBITDA", "EBITDA margin" (EBITDA divided by revenues), "Adjusted EBITDA", "Adjusted EBITDA margin" (Adjusted EBITDA divided by Adjusted revenues), "Adjusted net income", "Adjusted net income per share, diluted", "Payout ratio", "Adjusted payout ratio" and "Adjusted net cash from operating activities", all of which are not defined terms under IFRS. This MD&A also contains "Debt to EBITDA ratio" and "Interest coverage ratio", collectively as "Covenant Ratios", which are also not defined terms under IFRS.

These non-IFRS financial measures and key performance indicators should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements prepared in accordance with IFRS. See reconciliations below of non-IFRS financial measures to the most directly comparable IFRS measure.

Management believes these supplementary financial measures provide useful additional information related to the operating results of the Company. These measures are used by management to assess the financial performance of the business and are a supplement to the unaudited condensed interim consolidated financial statements. Investors are cautioned that these measures should not be construed as an alternative to using net income as a measure of profitability or as an alternative to the Company's IFRS-based unaudited condensed interim consolidated financial statements. In addition, the Company's lending agreements require that the Company comply with maximum or minimum requirements related to its Covenant Ratios and, as such, management actively monitors the Company's compliance to these Covenant Ratios.

These measures do not have any standardized meaning and D+H's method of calculating each measure may not be comparable to calculations used by other companies bearing the same description.

Constant Currency
Amounts calculated on a constant currency basis eliminate the effects of foreign exchange rate fluctuations by converting the current period's results in local currency at the foreign exchange rates in effect during the same period of the prior year.

Adjusted Revenues
The Company uses Adjusted revenues as a measure of performance which eliminates the impact of applying acquisition accounting on the acquisition of HFS and Fundtech. Adjusted revenues are also used in calculating Adjusted EBITDA and Adjusted EBITDA margin.

Upon acquisition of subsidiaries, the acquired deferred revenues balances are adjusted to reflect the fair value based on estimated costs of future delivery of the related services. These fair value adjustments to deferred revenues, recorded as of the acquisition date in accordance with the business combination accounting standard, reduce revenues recognized post-acquisition under IFRS. Adjusted revenues exclude these acquisition accounting effects. Management believes that Adjusted revenues facilitates meaningful comparisons of pre-acquisition and post-acquisition revenues.

Adjusted revenues reconciliation

(In thousands of dollars)					Three months ended March 31, 2017
	Global Payment Solutions	**Global Lending Solutions**	**Financial Solutions**	**Corporate**	**Consolidated**
Revenues	**$ 75,963**	**$ 166,470**	**$ 155,427**	**$ —**	**$ 397,860**
Acquisition accounting adjustments [1]	**—**	**450**	**152**	**—**	**602**
Adjusted revenues	**$ 75,963**	**$ 166,920**	**$ 155,579**	**$ —**	**$ 398,462**

(In thousands of dollars)					Three months ended March 31, 2016
	Global Payment Solutions	Global Lending Solutions	Financial Solutions	Corporate	Consolidated
Revenues	$ 81,307	$ 164,617	$ 166,225	$ —	$ 412,149
Acquisition accounting adjustments [1]	1,061	778	199	—	2,038
Adjusted revenues	$ 82,368	$ 165,395	$ 166,424	$ —	$ 414,187

1. Acquisition accounting adjustments relate to the amortization of the fair value adjustments on deferred revenues acquired. The valuation of deferred revenues acquired as part of the Fundtech acquisition was finalized in the second quarter of 2016. The HFS business belongs to both the GLS and Financial Solutions segments.The following table details the adjustments.

Fair value adjustments on deferred revenues

(In thousands of dollars)	Q1 2017	Q1 2016
Acquisition of HFS	$602	$977
Acquisition of Fundtech	—	1,061
Total adjustments	$602	$2,038

Adjusted Revenues by Type Definitions
SaaS: Software as a service is a software licensing and delivery model in which software is licensed on a subscription basis and is hosted by D+H on our premises. These contracts are generally term-based ranging from 3 to 10 years. On-going hosting fees and related transaction-based fees are recognized as revenue over the hosting period.

Software Licenses (Perpetual and Term): A software license provides the customer with the right to use software for an indefinite period of time if it is a perpetual license or for the length of the contract if it is a term license. The licensed software is installed on the customer's premises. Generally, the software license and implementation revenues are recognized based on the percentage-of-completion of the implementation. Term licenses typically range from 3 to 5 years.

Maintenance: All of the Company's perpetual and term software license products are sold with a maintenance component which allows customers to continue to receive specified levels of support following implementation including telephone support, “bug fixes" and unspecified upgrades and enhancements, for a specified period of time, usually one year. Maintenance revenue is recognized ratably over the life of the related maintenance period.

Professional Services: This revenue stream captures the professional services provided by D+H as part of a client software implementation project and may also include product enhancements, support, training and development. Implementation services are recorded as revenue based on percentage-of-completion of the implementation. For non-essential professional services revenue, including fees derived from the delivery of certain consulting and training services, revenue is recognized on a time and materials basis or a lump sum after delivery is complete, based on revenue recognition criteria. In some cases, professional services are deferred and amortized over the life of the contract. In these circumstances, the associated expenses are also deferred and recognized over the life of the contract.

Transaction Processing Services: These transactions are specific to our Canadian segment’s lending business. Transactional revenues are recognized upon completion of each transaction.

Canadian Payments Products/ Solutions: This revenue stream captures sales of products and services delivered by the Company to Canadian financial institutions. The revenue is primarily for cheques and enhancement services. Enhancement services allow Canadian financial institutions to offer additional products to their customers. Revenues for enhancement services are mainly attributable to subscription-based monthly fees.

Bookings

Bookings represent new, signed revenue contracts with new and existing customers for incremental business, excluding renewals, that will generate revenues in the current and future periods. Bookings are derived based on the total contract revenues to be earned over the duration of the contract. Management regards bookings as an important directional indicator of future revenues but they are not to be substituted for an analysis of revenues under IFRS. Bookings are not cumulative.

Bookings include perpetual licenses, other term-based license subscriptions and related maintenance, data processing fees, hardware and professional services fees.

SaaS subscriptions and maintenance are included in the bookings for GLS, Financial Solutions, and GPS segments.

- In the GLS and Financial Solutions segments, term-based SaaS, term licenses, processing and subscription products will generally have contractual terms ranging between 3-5 years for lending solutions and 3-10 years for integrated core solutions and are included in bookings for the full term.
- In the GPS segment, SaaS contracts are included in bookings at the contractual minimums for the initial term of the contract. SaaS contract terms vary by product but are generally three to five years for cash management, wire and ACH products. Financial messaging contracts are generally for a one year initial term with an auto-renewal feature that requires the customer to provide advance notice in the event of cancellation. Bookings for license agreements include the license value, the contracted enhancements and services, and maintenance for the shorter of the contractual term or five years. Contracts in currencies other than the U.S. Dollar are included in bookings at the conversion rate to the U.S. Dollar as of the date of contract execution.

Bookings may fluctuate significantly due to the timing of signing large contracts and the length of time for implementation which varies significantly by software solution. The timing of revenue recognition may also vary; refer to note 3 of our audited consolidated financial statements for the year ended December 31, 2016 for our revenue recognition policies.

Adjusted Expenses

The Company uses Adjusted Expenses as an internal measure of financial performance. Adjusted Expenses exclude: (i) acquisition-related expenses such as transaction costs, business integration costs, certain retention and incentive costs incurred in connection with acquisitions (ii) other charges such as costs related to the Company’s initiatives to align global operations and achieve cost synergies following the acquisitions, and costs incurred in connection with cost-realignment initiatives; (iii) costs incurred in connection with the Proposed Transaction; and (iv) certain foreign exchange gains and losses on financing-related intercompany balances. Adjusted Expenses also exclude effects of acquisition accounting on the fair value of deferred costs acquired as part of acquisitions.

These items are excluded in calculating Adjusted Expenses as they are not considered indicative of the underlying business performance for the periods being reviewed and management believes that excluding these adjustments is more reflective of ongoing operating results.

As described above, upon acquisition, the acquired deferred revenues balances are adjusted to reflect the fair value based on estimated costs of future delivery of the related services. Similarly, deferred costs, which include sales commissions and implementation costs, are also adjusted to reflect the fair values of these items at the acquisition date. This fair value adjustment to deferred costs recorded as of the acquisition date result in reducing expenses recognized post-acquisition under IFRS. Adjusted Expenses excludes the effects of these adjustments from the results in the periods reported.

Adjusted Expenses reconciliation

(In thousands of dollars)					Three months ended March 31, 2017
	Global Payment Solutions	**Global Lending Solutions**	**Financial Solutions**	**Corporate**	**Consolidated**
Expenses	**$ 64,734**	**$ 108,225**	**$ 116,320**	**$ 26,029**	**$ 315,308**
Less the following adjustments:					
Acquisition accounting adjustments [1]	**—**	**(401)**	**(929)**	**—**	**(1,330)**
Costs related to Proposed Transaction [2]	**—**	**—**	**—**	**11,726**	**11,726**
Acquisition-related and other charges [3]	**305**	**—**	**10**	**12**	**327**
Realignment of global operations and other restructuring expenses [4]	**628**	**816**	**679**	**643**	**2,766**
Foreign exchange (gain)/loss [5]	**—**	**—**	**—**	**1,415**	**1,415**
Total adjustments to expenses	**$ 933**	**$ 415**	**$ (240)**	**$ 13,796**	**$ 14,904**
Adjusted Expenses	**$ 63,801**	**$ 107,810**	**$ 116,560**	**$ 12,233**	**$ 300,404**

(In thousands of dollars)					Three months ended March 31, 2016
	Global Payment Solutions	Global Lending Solutions	Financial Solutions	Corporate	Consolidated
Expenses	$ 66,913	$ 110,251	$ 123,827	$ 18,909	$ 319,900
Less the following adjustments:					
Acquisition accounting adjustments [1]	(698)	(569)	(1,329)	—	(2,596)
Costs related to Proposed Transaction [2]	—	—	—	—	—
Acquisition-related and other charges/ (recoveries) [3]	4,163	(44)	1,005	531	5,655
Realignment of global operations and other restructuring expenses [4]	825	2,152	880	2,933	6,790
Foreign exchange (gain)/loss [5]	—	—	—	(1,169)	(1,169)
Total adjustments to expenses	$ 4,290	$ 1,539	$ 556	$ 2,295	$ 8,680
Adjusted Expenses	$ 62,623	$ 108,712	$ 123,271	$ 16,614	$ 311,220

1. Acquisition accounting adjustments relate to the amortization of the fair value adjustments on deferred costs acquired. The valuation of deferred costs acquired as part of the Fundtech acquisition was finalized in the second quarter of 2016. The HFS business belongs to both the GLS and Financial Solutions segments. The following table details the adjustments.

   Fair value adjustments on deferred costs

(In thousands of dollars)	Q1 2017	Q1 2016
Acquisition of HFS	$1,330	$1,898
Acquisition of Fundtech	—	698
Total adjustments	$1,330	$2,596

2. Costs related to Proposed Transaction (as described in section 2 of this MD&A) include consulting and professional fees, fairness opinion fees, legal fees, and travel and other related costs.
3. Acquisition-related and other charges include the Company's integration and transaction costs pertaining to the acquisition of Fundtech, business integration, costs related to expanding global capabilities, retention and incentive costs in connection with the acquisition of businesses.
4. Realignment of global operations and other restructuring expenses in Q1 2017 pertains to D+H's initiatives in relation to continuing its global cost management program. In Q1 2016, it pertains to costs incurred to align global operations to achieve cost synergies following the Company's acquisitions, as well as cost reduction initiatives within the Canadian payments operations.
5. Relates to non-cash foreign exchange (gain)/loss on financing related intercompany balances.

EBITDA and Adjusted EBITDA

EBITDA is defined as net income before finance expense, taxes, depreciation, amortization and impairment. EBITDA is also described as income from operating activities before depreciation, amortization and impairment in the consolidated statements of income.

In addition to its use by management as an internal measure of financial performance, EBITDA is also used by D+H as a factor in assessing the performance and the value of a business. EBITDA has limitations as an analytical tool and the reader should not consider it in isolation or as a substitute for analysis of results reported under IFRS.

Adjusted EBITDA is also used by D+H in assessing the performance of its businesses. Adjusted EBITDA excludes all items discussed above which are excluded in calculating adjusted revenues and adjusted expenses. These items are excluded in calculating Adjusted EBITDA as they are not considered indicative of the underlying business performance for the periods being reviewed and management believes that excluding these adjustments is more reflective of ongoing operating results.

Similar to EBITDA, Adjusted EBITDA also has limitations as an analytical tool and the reader should not consider it in isolation or as a substitute for analysis of results reported under IFRS.

EBITDA reconciliation

(In thousands of dollars)	Three months ended March 31	
	2017	2016
Net (loss) income for the period	**$ (2,731)**	$ 4,787
Finance expense	**24,821**	26,476
Income tax recovery	**(12,233)**	(15,684)
Depreciation of property, plant and equipment	**6,388**	7,254
Amortization of intangible assets	**66,307**	69,416
EBITDA	**$ 82,552**	$ 92,249

Adjusted EBITDA reconciliation

(In thousands of dollars)	**Three months ended March 31, 2017**				
	Global Payment Solutions	**Global Lending Solutions**	**Financial Solutions**	**Corporate**	**Consolidated**
EBITDA	**$ 11,229**	**$ 58,245**	**$ 39,107**	**$ (26,029)**	**$ 82,552**
Total adjustments to revenue impacting EBITDA	**—**	**450**	**152**	**—**	**602**
Total adjustments to expense	**933**	**415**	**(240)**	**13,796**	**14,904**
Adjusted EBITDA	**$ 12,162**	**$ 59,110**	**$ 39,019**	**$ (12,233)**	**$ 98,058**

(In thousands of dollars)	Three months ended March 31, 2016				
	Global Payment Solutions	Global Lending Solutions	Financial Solutions	Corporate	Consolidated
EBITDA	$ 14,394	$ 54,366	$ 42,398	$ (18,909)	$ 92,249
Total adjustments to revenue impacting EBITDA	1,061	778	199	—	2,038
Total adjustments to expense	4,290	1,539	556	2,295	8,680
Adjusted EBITDA	$ 19,745	$ 56,683	$ 43,153	$ (16,614)	$ 102,967

Adjusted Net Income and Adjusted Net Income Per Share, Diluted

Adjusted net income is used as a measure of internal performance similar to net income and is calculated by adjusting for the impacts of certain non-cash items and certain items of note on an after-tax basis. These adjustments include the after-tax impacts of:

- certain non-cash items:
  - the effects of acquisition accounting on fair value of deferred revenues and deferred costs acquired;
  - certain foreign exchange gains and losses;
  - amortization of deferred financing charges;
  - amortization of intangible assets from acquisitions;
  - accretion of the convertible debentures;
  - fair value adjustments of interest-rate swaps not designated as hedges for the purposes of hedge accounting;
  - reclassification of settlement of forward contracts relating to Fundtech acquisition;
- acquisition-related and other charges;
- realignment of global operations and related restructuring expenses, including depreciation and amortization; and
- tax effects of these items.

These items are excluded in calculating Adjusted net income as they are not considered to be part of the normal course of operations or indicative of the financial performance of the Company for the periods being reviewed. Adjusted net income per share, diluted, is calculated by dividing Adjusted net income for the period by the weighted average number of shares (diluted) outstanding during the period.

Adjusted net income reconciliation

(In thousands of dollars)	Three months ended March 31	
	2017	2016
Net income	**$ (2,731)**	$ 4,787
Non-cash items:		
Acquisition accounting adjustments [1]	**(728)**	(558)
Foreign exchange (gain)/loss [2]	**1,415**	(1,169)
Non-cash interest expense [3]	**2,946**	2,757
Amortization of intangible assets from acquisitions	**52,604**	56,015
Fair value adjustment of derivative instruments [4]	**(271)**	(300)
Acquisition-related and other (recoveries)/charges [5]	**327**	5,655
Realignment of global operations and other restructuring expenses, including depreciation and amortization [6]	**2,766**	6,790
Costs related to Proposed Transaction [7]	**11,726**	—
Tax effect of above adjustments [8]	**(23,001)**	(28,541)
Adjusted net income	**$ 45,053**	$ 45,436
Adjusted net income per share, diluted	**$ 0.42**	$ 0.43

1. Acquisition accounting adjustments relate to the amortization of the fair value adjustments on deferred revenues and deferred costs acquired. The valuation of deferred revenues and deferred costs acquired as part of the Fundtech acquisition was finalized in the second quarter of 2016. The HFS business belongs to both the GLS and Financial Solutions segments. The following table details the adjustments.

Fair value adjustments on deferred revenues and deferred costs

(In thousands of dollars)	Q1 2017	Q1 2016
Acquisition of HFS	$(728)	$(921)
Acquisition of Fundtech	—	363
Total adjustments	$(728)	$(558)

2. Relates to non-cash foreign exchange (gain)/loss on financing related intercompany balances.
3. Non-cash interest expense relates to the accretion of convertible debentures issued to partially fund the acquisition of HFS and Fundtech, and amortization of deferred financing charges incurred in connection with the Company's financing arrangements.
4. Amounts include mark-to-market adjustments to interest-rate swaps and foreign exchange contracts that are not designated as hedges for hedge accounting purposes and for which any realized or unrealized change in the fair value of these contracts is recorded through the consolidated statements of (loss) income.
5. Acquisition-related and other charges include the Company's integration and transaction costs pertaining to the acquisition of Fundtech, business integration, costs related to expanding global capabilities, retention and incentive costs in connection with the acquisition of businesses.
6. Realignment of global operations and other restructuring expenses in Q1 2017 pertains to D+H's initiatives in relation to continuing its global cost management program. In Q1 2016, it pertains to costs incurred to align global operations to achieve cost synergies following the Company's acquisitions, as well as cost reduction initiatives within the Canadian payments operations.
7. Costs incurred are in connection with the Proposed Transaction as described in section 2 of this MD&A, which include consulting and professional fees, fairness opinion fees, legal fees, and travel and other related costs.
8. The adjustments to net income are tax effected at their respective tax rates.

Adjusted net cash from operating activities

D+H's management considers Adjusted net cash from operating activities as an important indicator of financial strength and performance of the business. Adjusted net cash from operating activities is net cash from operating activities on the consolidated statements of cash flows and adds back the impact of acquisition related and other charges, realignment of global operations and other restructuring expenses, and costs related to the Proposed Transaction. Adjusted net cash from operating activities represents the amount of cash flow that D+H has for repayment of debt, capital expenditures, payment of dividends, acquisition related activities (including integration), and for supporting other business decisions and strategic initiatives. As this is a non-IFRS measure, Adjusted net cash from operating activities should not be considered an alternative to the measures in the consolidated statements of cash flows.

Adjusted net cash from operating activities

(In thousands of dollars)		Three months ended March 31		
		2017		2016
Net cash from operating activities	**$**	**68,091**	$	54,773
Acquisition related and other charges/(recoveries) [1]		**327**		5,655
Realignment of global operations and other restructuring expenses [2]		**2,766**		6,790
Costs related to Proposed Transaction [3]		**11,726**		—
Adjusted net cash from operating activities	**$**	**82,910**	$	67,218

1. Acquisition-related and other charges include the Company's integration and transaction costs pertaining to the acquisition of Fundtech, business integration, costs related to expanding global capabilities, retention and incentive costs in connection with the acquisition of businesses.
2. Realignment of global operations and other restructuring expenses in Q1 2017 pertains to D+H's initiatives in relation to continuing its global cost management program. In Q1 2016, it pertains to costs incurred to align global operations to achieve cost synergies following the Company's acquisitions, as well as cost reduction initiatives within the Canadian payments operations.
3. Costs related to Proposed Transaction are costs incurred in connection with the Proposed Transaction as described in section 2 of this MD&A, which include consulting and professional fees, fairness opinion fees, legal fees, and travel and other related costs.

Payout ratio and Adjusted payout ratio

Payout ratio is defined as cash dividends paid divided by net cash from operating activities after capital expenditure.

Payout ratio

(In thousands of dollars)		Three months ended March 31		
		2017		2016
Net cash from operating activities	**$**	**68,091**	$	54,773
Less: Capital expenditures		**(26,638)**		(20,962)
Net cash from operating activities after capital expenditures	**$**	**41,453**	$	33,811
Cash dividends paid		**(12,826)**		(24,753)
Payout ratio		**31%**		73%

Adjusted payout ratio is defined as cash dividends paid divided by Adjusted net cash from operating activities after capital expenditure. Management believes the Adjusted payout ratio is an important indicator of financial strength and the Company's ability to repay debt.

Adjusted payout ratio

(In thousands of dollars)		Three months ended March 31		
		2017		2016
Adjusted net cash from operating activities	**$**	**82,910**	$	67,218
Less: Capital expenditures		**(26,638)**		(20,962)
Adjusted net cash from operating activities after capital expenditures	**$**	**56,272**	$	46,256
Cash dividends paid		**(12,826)**		(24,753)
Adjusted payout ratio		**23%**		54%

Debt to EBITDA ratio

The Company entered into the Ninth Amended and Restated Credit Agreement on April 30th, 2015, and is required to comply with the Total Net Funded Debt to EBITDA ratio, referred to as "Debt to EBITDA ratio" in this MD&A. The Debt to EBITDA ratio includes all of the Company's outstanding indebtedness, amounts capitalized under finance leases, bankers' acceptances, and letters of credit, and is net of cash in secured bank accounts. A maximum aggregate amount of up to $50 million of cash in secured bank accounts can be netted against the Total Net Funded Debt. Convertible Debentures are excluded from the Debt to EBITDA ratio.

EBITDA, for the purposes of the Debt to EBITDA ratio noted above, is calculated on a twelve-month trailing basis as net income plus: interest expense, depreciation and amortization, income tax expenses, other non-cash expenses, and certain restructuring and transaction expenses, to the extent expensed in the consolidated statements of income. Other add-backs to net income include stock option expense, certain deferred revenue changes, and impacts of acquisition accounting adjustments to revenues with respect to the Fundtech acquisition.

Debt to EBITDA ratio [1]

Debt and EBITDA used for the purposes of this ratio are different than "loans and borrowings" and "EBITDA" in the MD&A. See reconciliation below for details.

(In thousands of dollars, unless otherwise noted)		**12 month trailing period ended March 31, 2017**		12 month trailing period ended December 31, 2016
Loans and borrowings	**$**	**1,499,214**	$	1,522,082
Add:				
Letters of credit		**13,114**		13,143
Capital leases		**40**		40
Total Funded Debt	**$**	**1,512,368**	$	1,535,265
Less: Cash (for covenant purposes only) [2]		**(50,000)**		(50,000)
Total Net Funded Debt	**$**	**1,462,368**	$	1,485,265
Net (loss)	**$**	**(75,181)**	$	(67,663)
Add (deduct):				
Interest expense		**103,867**		105,551
Depreciation of property, plant and equipment		**27,096**		27,962
Amortization of intangible assets		**280,910**		284,019
Impairment of goodwill [3]		**121,041**		121,041
Income tax recovery		**(47,293)**		(50,744)
Fair value adjustment of derivative instruments [3]		**(1,588)**		(1,617)
Stock options		**3,874**		3,815
Acquisition accounting adjustments [4]		**(3,071)**		(2,901)
Acquisition-related and other charges and realignment of global operations and other restructuring expenses [5]		**39,704**		37,330
Foreign exchange gain [6]		**(455)**		(3,039)
Other items [7]		**112**		(394)
EBITDA (for covenant purposes only)	**$**	**449,016**	$	453,360
Total Net Funded Debt to EBITDA		**3.257x**		3.276x
Maximum allowed per covenant		**3.50x**		3.50x

1. Calculated on a twelve-month trailing basis.
2. Cash (for covenant purposes only) represents the secured global cash balances in all bank accounts up to a maximum of $50 million as at March 31, 2017 (2016 - maximum of $50 million).
3. Amounts include mark-to-market adjustments to interest-rate swaps that are not designated as hedges for hedge accounting purposes and for which any realized or unrealized change in the fair value of these contracts is recorded through the consolidated statements of (loss) income.
4. Acquisition accounting adjustments relate to the amortization of the fair value adjustments on deferred revenues and deferred costs acquired. The valuation of deferred revenues and deferred costs acquired as part of the Fundtech acquisition was finalized in the second quarter of 2016. The HFS business belongs to both the GLS and Financial Solutions segments. The following table details the adjustments.

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Total adjustments	$(728)	$(558)

5. Acquisition-related and other charges include the Company's integration and transaction costs pertaining to the acquisition of Fundtech, business integration, costs related to expanding global capabilities, retention and incentive costs in connection with the acquisition of businesses. Realignment of global operations and other restructuring expenses in Q1 2017 pertains to D+H's initiatives in relation to continuing its global cost management program. In Q1 2016, it pertains to costs incurred to align global operations to achieve cost synergies following the Company's acquisitions, as well as cost reduction initiatives within the Canadian payments operations.
6. Non-cash foreign exchange gain is for financing related intercompany balances.
7. Other items include changes in deferred revenues for certain D+H businesses, and Fundtech's incremental EBITDA on a twelve-month trailing basis.

Interest coverage ratio

The interest coverage ratio is defined as the ratio of the trailing twelve-month EBITDA (EBITDA calculated in the same manner as for the Debt to EBITDA ratio) to the trailing twelve-month interest expense, excluding non-cash interest expense. The covenant requires this ratio to be a minimum of 3.00x.

Interest Coverage Ratio [1]

(In thousands of dollars, unless otherwise noted)		**March 31, 2017**		December 31, 2016
EBITDA (for covenant purposes only)	**$**	**449,016**	$	453,360
Interest expense (for covenant purposes only)	**$**	**102,279**	$	103,934
Less: non-cash interest		**9,676**		9,487
Interest expense (for covenant purposes only)	**$**	**92,603**	$	94,447
Interest coverage ratio (EBITDA / Interest expense)		**4.85x**		4.80x
Minimum allowed per covenant		**3.00x**		3.00x

1. Calculated on a twelve-month trailing basis.

10.2 Foreign exchange rates

The following table reflects the Bank of Canada's exchange rates in Canadian dollars for one U.S. dollar for the periods noted:

Period / date	2017	2016
January 1 to March 31 average	1.3240	1.3741
As at March 31	1.3299	1.2987

The average exchange rates for the past eight quarters can be found in section 6 of this MD&A.

11 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's management, under the supervision of the CEO and CFO, has designed a set of disclosure controls and procedures to provide reasonable assurance that material information is made known to us by others and information required to be disclosed in filings or reports submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal controls over financial reporting

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing internal control over financial reporting for the Company.

The Company's management, under the supervision of the CEO and CFO, have also designed a set of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

In the first quarter of 2017, the Company completed the implementation of its Global Financial Consolidation system. This system enables financial consolidation, reporting and analysis in a single, hosted software solution. This implementation impacts the financial controls over financial reporting and consolidation.

Other than the completion of our Global Financial Consolidation system, there have been no other changes in the Company's internal controls over financial reporting during the first quarter of 2017 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

12 BUSINESS RISKS

A comprehensive discussion of the risks that impact D+H can be found in the Company's most recently filed Annual Information Form and the most recently filed annual MD&A for the year ended December 31, 2016, available on SEDAR at www.sedar.com. Risks and uncertainties related to the Company have not significantly changed since the Company's most recently filed Annual Information Form and the most recently filed annual MD&A for the year ended December 31, 2016.

DH CORPORATION

Unaudited condensed interim consolidated financial statements

Three months ended March 31, 2017 and 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, thousands of Canadian dollars)	**As at March 31 2017**	As at December 31 2016
ASSETS		
Cash and cash equivalents (note 4)	**$ 77,126**	$ 58,247
Trade, unbilled and other receivables, net (note 8)	**269,857**	257,838
Prepayments and other current assets	**62,727**	57,508
Current income tax assets	**16,767**	14,010
Total current assets	**426,477**	387,603
Non-current unbilled receivables (note 8)	**88,177**	88,928
Deferred tax assets	**1,748**	3,603
Property, plant and equipment	**85,518**	81,974
Intangible assets	**1,761,717**	1,824,673
Goodwill (note 9)	**2,601,319**	2,615,428
Other assets	**56,382**	56,668
Total non-current assets	**4,594,861**	4,671,274
Total assets	**$ 5,021,338**	$ 5,058,877
LIABILITIES		
Trade payables, accrued and other liabilities (note 10 & note 12)	**$ 210,274**	$ 216,852
Loans and borrowings - current (note 11)	**80,000**	80,000
Deferred revenues	**166,857**	129,455
Current tax liabilities	**18,372**	18,372
Total current liabilities	**475,503**	444,679
Non-current deferred revenues	**35,668**	35,833
Loans and borrowings - non-current (note 11)	**1,411,055**	1,433,254
Convertible debentures	**433,379**	431,093
Deferred tax liabilities	**504,759**	525,985
Other long-term liabilities	**49,677**	55,407
Total non-current liabilities	**2,434,538**	2,481,572
Total liabilities	**2,910,041**	2,926,251
EQUITY		
Capital	**2,064,135**	2,064,135
Reserves	**326,138**	331,910
Deficit	**(278,976)**	(263,419)
Total equity	**2,111,297**	2,132,626
Total liabilities and equity	**$ 5,021,338**	$ 5,058,877

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

CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(unaudited, thousands of Canadian dollars, except per share amounts)		Three months ended March 31 **2017**		2016
Revenues (note 5)	**$**	**397,860**	$	412,149
Employee compensation and benefits (note 6)		**145,243**		158,747
Other expenses, net (note 6)		**170,065**		161,153
Income from operating activities before depreciation and amortization		**82,552**		92,249
Depreciation of property, plant and equipment		**6,388**		7,254
Amortization of intangible assets		**66,307**		69,416
Income from operating activities		**9,857**		15,579
Finance expense (note 11)		**24,821**		26,476
Loss before income taxes		**(14,964)**		(10,897)
Income tax recovery		**(12,233)**		(15,684)
Net (loss) income for the period	**$**	**(2,731)**	$	4,787
(Loss) earnings per share - basic and diluted (note 14)	**$**	**(0.03)**	$	0.04

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited, thousands of Canadian dollars)	Three months ended March 31	
	2017	2016
Net (loss) income for the period	**$ (2,731)**	$ 4,787
Items that are or may be reclassified subsequently to net (loss) income:		
Cash flow hedges - effective portion of changes in fair value (note 12)	**83**	(4,799)
Cash flow hedges - reclassified to consolidated statements of (loss) income	**658**	1,115
Foreign currency translation loss	**(7,109)**	(137,457)
Tax (loss) recovery on items above	**(196)**	242
Other comprehensive loss, net of tax	**(6,564)**	(140,899)
Total comprehensive loss for the period	**$ (9,295)**	$ (136,112)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, thousands of Canadian dollars, except share amounts)	Number of common shares	Share capital	Reserves			Deficit	Total equity
			Equity-settled share-based compensation	Equity component of convertible debentures	Accumulated other comprehensive income		
Balance as at January 1, 2017	**106,881,956**	**$ 2,064,135**	**$ 11,784**	**$ 22,451**	**$ 297,675**	**$ (263,419)**	**$ 2,132,626**
Net loss for the period	**—**	**—**	**—**	**—**	**—**	**(2,731)**	**(2,731)**
Dividends	**—**	**—**	**—**	**—**	**—**	**(12,826)**	**(12,826)**
Conversion of convertible debentures	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock options (note 13)	**—**	**—**	**792**	**—**	**—**	**—**	**792**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(6,564)**	**—**	**(6,564)**
Balance as at March 31, 2017	**106,881,956**	**$ 2,064,135**	**$ 12,576**	**$ 22,451**	**$ 291,111**	**$ (278,976)**	**$ 2,111,297**

(unaudited, thousands of Canadian dollars, except share amounts)	Number of common shares	Share capital	Reserves			Deficit	Total equity
			Equity-settled share-based compensation	Equity component of convertible debentures	Accumulated other comprehensive income		
Balance as at January 1, 2016	106,443,450	$ 2,050,223	$ 7,763	$ 22,461	$ 347,725	$ (59,106)	$ 2,369,066
Net income for the period	—	—	—	—	—	4,787	4,787
Dividends	—	—	—	—	—	(34,089)	(34,089)
Shares issued under dividend reinvestment plan	250,236	9,336	—	—	—	—	9,336
Conversion of convertible debentures	5,985	174	—	(10)	—	—	164
Stock options (note 13)	78,969	1,554	733	—	—	—	2,287
Other comprehensive loss	—	—	—	—	(140,899)	—	(140,899)
Balance as at March 31, 2016	106,778,640	$ 2,061,287	$ 8,496	$ 22,451	$ 206,826	$ (88,408)	$ 2,210,652

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, thousands of Canadian dollars)	Three months ended March 31 **2017**	2016
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES		
Net (loss) income for the period	**$ (2,731)**	$ 4,787
Adjustments for:		
Depreciation of property, plant and equipment	**6,388**	7,254
Amortization of intangible assets	**66,307**	69,416
Finance expenses:		
Net interest expense (note 12)	**22,146**	24,019
Amortization of deferred financing fees (note 11)	**660**	642
Accretion expense (note 11)	**2,286**	2,115
Fair value adjustment of derivative instruments (note 11)	**(271)**	(300)
Income taxes	**(12,233)**	(15,684)
Stock options (note 13)	**792**	733
Changes in non-cash working capital items, net (note 7)	**16,601**	9,344
Changes in other operating assets and liabilities, net (note 7)	**(1,465)**	(11,690)
Cash generated from operating activities	**98,480**	90,636
Interest paid	**(24,890)**	(24,847)
Income tax paid	**(5,499)**	(11,016)
Net cash generated from operating activities	**68,091**	54,773
FINANCING ACTIVITIES		
Repayment of loans and borrowings (note 11)	**(9,400)**	(20,000)
Proceeds from exercise of stock options	**—**	1,554
Cash dividends paid	**(12,826)**	(24,753)
Net cash used in financing activities	**(22,226)**	(43,199)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(10,882)**	(5,182)
Additions to intangible assets	**(15,756)**	(15,780)
Net cash used in investing activities	**(26,638)**	(20,962)
Increase (decrease) in cash and cash equivalents for the period	**19,227**	(9,388)
Cash and cash equivalents, beginning of period	**58,247**	66,459
Effect of movements in exchange rates on cash held	**(348)**	(2,020)
Cash and cash equivalents, end of period	**$ 77,126**	$ 55,051

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

1. Reporting Entity

DH Corporation is domiciled in Canada. The address of the registered office is 120 Bremner Blvd., Suite 3000, Toronto, ON, M5J 0A8. The unaudited condensed interim consolidated financial statements are of DH Corporation and its subsidiaries, together referred to as “D+H” or the “Company”.

Commencing in the first quarter of 2017, the Company aligned its business functions and products into three new strategic business units to better align the capabilities of the Company to support the needs of its customers and allow it to capitalize on its global scale and growth opportunities. The new reportable business segments are: Global Payments Solutions ("GPS"), Global Lending Solutions ("GLS") and Financial Solutions. In addition, the Company will have a corporate segment.

The strategic infrastructure and operations of D+H, which have historically been aligned with the business segments have been reorganized to drive global scale and operating effectiveness. These business operations include customer support, technology infrastructure and other shared services, in addition to risk management, finance and talent. These costs have been allocated to the respective segments including to the corporate segment, and are included in the segment level earnings before interest, taxes, depreciation and amortization ("EBITDA") used to assess segment performance.

GPS product and service offerings include global and domestic payment solutions, corporate cash and liquidity management and financial messaging solutions. Global and domestic payment solutions include a payment platform which captures, manages and processes payments in domestic and international environments, sourced from multiple initiating channels and routed to multiple clearing networks globally. Corporate cash and liquidity management offers domestic and cross-border products which include the clearing and settlement of foreign exchange transactions. Financial messaging solutions enable the exchange of standard transaction messages over secure networks.

GLS product and service offerings include lending solutions in the United States ("U.S.") and Canada. Lending solutions in the U.S. consist of mortgage, commercial and consumer lending solutions. Mortgage and commercial lending solutions allow lenders to obtain qualified applications from multiple point-of-sale channels throughout the entire loan origination process and provide compliant loan documents. Consumer lending services assist in automating the lending process from acceptance of applications through to the loan approval process and providing compliant loan documents. Lending solutions in Canada consist of collateral management solutions, designed to help lenders manage debt collateral, mortgage technology solutions enable effective management of the residential mortgage process from origination within the brokerage community through the underwriting process by lender and student loans administration solutions to assist various governments and banks in managing their student lending programs.

Financial Solutions product and service offerings include enterprise solutions in the U.S. and other international locations in addition to retail solutions in Canada. Enterprise solutions consist of core banking platform offerings, complementary channel and hosting solutions to community-based banks, larger banks and credit unions. Retail solutions includes the Canadian cheque program, where D+H serves banks, consumers and small businesses, enhancement services, where D+H provides identity protection and other related services, and payment manager, where D+H provides a payment initiation platform and notification services between bank customer accounts and with billers which consist primarily of municipalities, telecommunication, insurance and utilities businesses.

On March 13, 2017, D+H and Vista Equity Partners (“Vista”) announced that they had entered into a definitive arrangement agreement under which Vista will acquire all of the outstanding shares of D+H for $25.50 per share in cash including the assumption, repayment or redemption of all debt obligations, including the issued convertible debentures, for a total enterprise value of approximately $4.8 billion (the “Proposed Transaction”).

In the joint announcement with D+H, Vista announced that it intends to combine D+H with another of its portfolio companies, United Kingdom-based, Misys, a leading global software provider for retail and corporate banking, lending, treasury and capital markets, investment management and enterprise risk.

The completion of the Proposed Transaction is subject to court approval and the approval of D+H's shareholders by more than 66 2/3% of the votes cast by the shareholders present in person or by proxy at the special meeting of shareholders to be held on May 16, 2017. The Proposed Transaction is subject to customary closing conditions, including receipt of certain regulatory approvals.

2. Basis of Presentation

a. Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and do not include all of the disclosures required for full annual consolidated financial statements. The unaudited condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 11, 2017.

b. Use of estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments made by management in applying D+H's accounting policies. The areas involving significant estimates and judgments have been set out in note 2(d) of D+H's annual consolidated financial statements for the year ended December 31, 2016.

c. Comparative figures

Certain comparative amounts have been reclassified to conform to current period presentation.

3. Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied by the Company in its annual consolidated financial statements as at and for the year ended December 31, 2016 and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, except for the following amendments to standards which became effective for annual periods commencing January 1, 2017.

- IAS 7, Statement of cash flows ("IAS 7")

  At January 1, 2017, the Company adopted this amendment and determined there was no impact on the Company's unaudited condensed interim consolidated financial statements.

- IAS 12, Income taxes ("IAS 12")

  At January 1, 2017, the Company adopted this amendment and determined there was no impact on the Company's unaudited condensed interim consolidated financial statements.

Recent accounting pronouncements not yet adopted

The IASB has issued new standards and amendments to existing standards. These changes have not yet been adopted by the Company and could have an impact on future periods. The following changes to accounting standards are described in our annual consolidated financial statements for the year ended December 31, 2016:

- *IFRS 16, Leases;*
- *IFRS 9, Financial instruments;*
- *IFRS 2, Shared-based Payment; and*
- *IFRS 15, Revenue Contracts with Customers.*

4. Cash and cash equivalents

As at March 31, 2017, the cash and cash equivalents balance included short term cash advances of $14.7 million (December 31, 2016: $11.8 million) held separately on behalf of clients as part of the lending business in Canada, within the GLS segment.

5. Revenues

Revenues by type

	Three months ended March 31	
	2017	2016
Software-as-a-service ("SaaS")	**$ 101,305**	$ 101,762
Software Licenses (Perpetual and Term)	**36,707**	37,010
Maintenance	**57,802**	60,687
Professional Services	**39,483**	47,526
Transaction Processing Services	**81,895**	78,345
Canadian Payments Products/Solutions	**74,343**	79,597
Other[1]	**6,325**	7,222
Total	**$ 397,860**	$ 412,149

1. Other includes hardware sales, termination fees and other billable costs.

6. Expenses

Employee compensation and benefits

	Three months ended March 31	
	2017	2016
Wages and salaries	**$ 113,486**	$ 122,105
Restructuring expenses[1]	**2,494**	3,781
Benefits	**11,521**	12,922
Statutory contributions	**10,623**	11,527
Integration and other related charges	**897**	4,976
Other labour costs	**6,222**	3,436
Total Employee compensation and benefits	**$ 145,243**	$ 158,747

1. Severance-related restructuring expenses; refer to note 10 for further details.

For the three months ended March 31, 2017, $14.7 million (2016 - $10.3 million) of expenses, primarily employee compensation and benefits, were capitalized related to software product development and included as part of intangible assets on the condensed consolidated statements of financial position.

Other expenses, net

	Three months ended March 31	
	2017	2016
Material, shipping and selling expenses	**$ 73,126**	$ 72,333
Third party disbursements	**22,003**	21,346
Legal, audit and professional fees	**13,173**	13,492
Occupancy costs	**11,394**	10,949
Repairs and maintenance expenses	**12,419**	10,525
Telecommunications expenses	**9,352**	9,083
Travel and related expenses	**4,399**	5,188
Restructuring and other expenses[1]	**272**	2,812
Trade shows, sales and marketing related costs	**4,092**	4,157
Integration and other related costs	**—**	876
Costs related to Proposed Transaction[2]	**11,726**	—
Foreign exchange gain	**(1,282)**	(1,385)
Other expenses	**9,391**	11,777
Total Other expenses, net	**$ 170,065**	$ 161,153

1. Refer to note 10 for further details.
2. Refer to note 1 for further details.

7. Supplemental cash flow information

The table below outlines the changes in non-cash working capital items as a source (use) of cash from operating activities.

	Three months ended March 31	
	2017	2016
Trade, unbilled and other receivables, net	**$ (12,019)**	$ 7,922
Prepayments and other current assets	**(5,219)**	(7,142)
Trade payables, accrued and other liabilities	**(3,563)**	(14,347)
Deferred revenues	**37,402**	22,911
Changes in non-cash working capital items, net	**$ 16,601**	$ 9,344

The table below outlines the changes in other operating assets and liabilities, net as a source (use) of cash from operating activities.

	Three months ended March 31	
	2017	2016
Unbilled receivables, non-current	**$ 751**	$ 2,145
Other assets, non-current	**396**	1,056
Deferred revenues, non-current	**(165)**	(1,741)
Other long-term liabilities	**(5,099)**	(6,615)
Other [1]	**2,652**	(6,535)
Changes in other operating assets and liabilities, net	**$ (1,465)**	$ (11,690)

1. Relates primarily to foreign currency translation adjustments.

8. Trade, unbilled and other receivables, net

	March 31	December 31
	2017	2016
Trade receivables	**$ 117,982**	$ 120,441
Unbilled receivables - current	**146,836**	$ 132,424
Other receivables	**10,403**	10,068
Allowance for doubtful accounts	**(5,364)**	(5,095)
Trade, unbilled and other receivables, net - current	**$ 269,857**	$ 257,838
Unbilled receivables, non-current	**$ 88,177**	$ 88,928
Total trade, unbilled and other receivables, net	**$ 358,034**	$ 346,766

Current unbilled receivables of $146.8 million (December 31, 2016: $132.4 million), represent revenue earned for services rendered but not yet invoiced as at the reporting date. Non-current unbilled receivables of $88.2 million (December 31, 2016: $88.9 million) represent future amounts to be billed that are contractually due to the Company as a result of term software licenses delivered in the GLS segment. These amounts have been recognized in revenues, however not billed, as the contract stipulates the amounts are to be billed and payable ratably over the contract term.

9. Goodwill

Commencing in the first quarter of 2017, the Company changed the composition of its group cash-generating units ("CGUs"), operating segments, to align with the three new strategic business segments: Global Payment Solutions, Global Lending Solutions and Financial Solutions, as further discussed in note 1 and note 15 to the condensed consolidated interim financial statements. The Company's group CGU's were previously measured on the former segments. As a result of the new business segments, the Company reallocated goodwill using the relative value approach at the date of realignment, January 1, 2017. The following table presents the Company's goodwill composition as allocated to the new business segments:

	March 31	January 1
	2017	2017
Global Payment Solutions	**$ 787,823**	$ 787,263
Global Lending Solutions	**1,393,954**	1,406,968
Financial Solutions	**419,542**	421,197
Total Goodwill	**$ 2,601,319**	$ 2,615,428

The following table presents the Company's goodwill balance for the periods ended March 31, 2017 and December 31, 2016.

Goodwill		March 31 2017		December 31 2016
Balance, as at January 1	$	**2,615,428**	$	2,769,290
Changes during the period:				
Acquisition of Fundtech		**—**		4,754
Impairment		**—**		(70,484)
Effect of movements in exchange rates		**(14,109)**		(88,132)
Balance at the end of period	$	**2,601,319**	$	2,615,428

10. Trade payables, accrued and other liabilities

		March 31 2017		December 31 2016
Trade payables	$	**58,337**	$	70,860
Compensation-related accrued liabilities		**53,773**		62,013
Restructuring-related and other payables		**8,144**		9,068
Commissions		**23,272**		21,469
Customer advances		**18,437**		17,167
Interest payable		**9,889**		12,211
Capital and other tax		**8,616**		868
Other accrued liabilities		**29,806**		22,925
Derivative liabilities held for risk management - current (note 12)		**—**		271
Total Trade payables, accrued and other liabilities	$	**210,274**	$	216,852

Restructuring and other expenses

During the first quarter of 2017, the Company incurred $2.6 million (2016 - nil) of restructuring and other expenses in relation to continuing its global cost management program.

During the first quarter of 2017, the Company incurred $0.2 million (2016 - $6.8 million) of restructuring and other expenses in relation to realignment of its business functions, which included real estate rationalization, to capitalize on its global scale and growth opportunities, increase support of our customers and cost management initiatives within the Financial Solutions segment.

Restructuring and other expenses related to these initiatives are noted below:

		Three months ended March 31		
Restructuring and other expenses		**2017**		2016
Severance[1]	$	**2,494**	$	3,781
Consulting		**229**		2,724
Other		**43**		285
Total Restructuring and other expenses	$	**2,766**	$	6,790

1. Balance includes share-based compensation expenses, stock options which are equity settled and cash settled awards and have been excluded from the liability breakdown below. Liability relating to cash settled awards are included within the compensation-related accrued liabilities. Stock options relating to equity settled awards are settled through the issuance of equity.

Included in trade payables, accrued and other liabilities are provisions for restructuring and other activities being undertaken by the Company:

Restructuring and other liability		
Balance as at January 1, 2017	$	**11,973**
Restructuring and other expenses		**2,766**
Payments		**(4,232)**
Balance as at March 31, 2017[1]	$	**10,507**

1. Includes restructuring-related and other liabilities of $2.4 million, which is included in other long-term liabilities.

11. Loans and borrowings

The Company's Credit Facility, which matures on April 30, 2020, provides for the following:

i. A revolving, non-amortizing credit facility in the amount of $550 million ("Revolver"). The Revolver may be used for capital expenditures and general corporate purposes. Draws of US$140.0 million were outstanding on this facility as at March 31, 2017 (December 31, 2016 - $9.4 million and US$140.0 million).

ii. A non-revolving, non-amortizing term credit facility in the amount of US$512.6 million ("Non-revolver"). This facility was fully drawn as at March 31, 2017 and December 31, 2016.

Bonds in the amount of $100 million and US$399.5 million were outstanding on March 31, 2017 and December 31, 2016.

The Company's bonds and credit facilities are secured by the assets of the Company and are subject to certain non-financial and financial covenants, including the requirement to meet certain financial ratios and certain financial condition tests. The Company was in compliance with all financial covenants and financial condition tests as at March 31, 2017 and December 31, 2016.

During the three months ended March 31, 2017, the Company made repayments of $9.4 million against the Canadian dollar portion of the Revolver. During the three months ended March 31, 2016, the Company made repayments of $20.0 million against the Canadian dollar portion of the Revolver.

The Company's long-term indebtedness is as follows:

	Total credit facility	Interest rate	Maturity	**March 31 2017**	December 31 2016
Credit facility (secured)					
Revolver	$ 363,814 [1]	BA + 2.50% [2]	Apr 2020	**$ —**	$ 9,400
Revolver (US$140,000)	186,186	LIBOR + 2.50% [2]	Apr 2020	**186,186**	187,978
Total Revolver	550,000			**186,186**	197,378
Non-revolver (US$512,620)	681,733	LIBOR + 2.50% [2]	Apr 2020	**681,733**	688,295
Total credit facility [3]	$ 1,231,733			**$ 867,919**	$ 885,673
Bond (secured)		7.24%	Jun 2017	**$ 50,000**	$ 50,000
Bond (secured)		6.42%	Jun 2017	**30,000**	30,000
Bond (secured) (US$63,000)		6.84%	Apr 2021	**83,784**	84,590
Bond (secured) (US$40,000)		4.57%	May 2022	**53,196**	53,708
Bond (secured) (US$40,000)		4.57%	May 2022	**53,196**	53,708
Bond (secured) (US$16,500)		5.19%	Jun 2022	**21,943**	22,155
Bond (secured) (US$15,000)		5.19%	Jun 2022	**19,949**	20,140
Bond (secured)		6.26%	Aug 2023	**20,000**	20,000
Bond (secured) (US$100,000)		6.01%	Aug 2023	**132,990**	134,270
Bond (secured) (US$75,000)		6.01%	Aug 2023	**99,743**	100,703
Bond (secured) (US$50,000)		6.01%	Aug 2023	**66,495**	67,135
Total bonds [4]				**$ 631,295**	$ 636,409
Total loans and borrowings excluding deferred finance costs				**$ 1,499,214**	$ 1,522,082
Deferred finance costs				**(8,159)**	(8,828)
Total loans and borrowings				**$ 1,491,055**	$ 1,513,254
Current portion				**$ 80,000**	$ 80,000
Non-current portion				**$ 1,411,055**	$ 1,433,254

1. Amounts available may be drawn in Canadian dollar ("CAD") or its U.S. dollar ("USD") equivalent.
2. A portion of payments under the Credit Facility are fixed by means of interest-rate swaps (notional amounts of US$250 million), refer to note 12 for further details.
3. Upon change of control, all credit facilities will be repaid in full, together with unpaid accrued interest.
4. Upon change of control, all bonds will be repaid in full, together with unpaid accrued interest and the Yield-Maintenance Amount.

Finance expense

	Three months ended March 31	
	2017	2016
Interest expense	**$ 22,754**	$ 24,723
Interest income[1]	**(608)**	(704)
Net interest expense	**$ 22,146**	$ 24,019
Amortization of deferred financing fees	**660**	642
Accretion expense (5.0%, 5.5 year convertible debenture)	**1,123**	1,040
Accretion expense (6.0%, 5 year convertible debenture)	**1,163**	1,075
Fair value adjustment of derivative instruments	**(271)**	(300)
	$ 24,821	$ 26,476

1. Interest income primarily related to non-current customer billing contracts.

Letters of credit

The Company had outstanding letters of credit of $13.1 million as at March 31, 2017 (December 31, 2016 - $13.1 million), which is part of the total Credit Facility. Letters of credit are issued by the Company, at the request of the beneficiary, as a form of security should the Company not meet its financial contractual obligation.

12. Financial instruments

The Company's policies and procedure to monitor, evaluate and manage risks related to financial instruments are consistent with those in place as at December 31, 2016. Information about D+H's risk management practices are described in note 19 of the consolidated financial statements for the year ended December 31, 2016.

As at March 31, 2017 and December 31, 2016, the following fixed-paying interest-rate swaps were outstanding:

			March 31	December 31
			2017	2016
Maturity date	**Notional amount**	**Interest rate** [1]	**Liability (Assets)** [2]	
March 18, 2017 [3]	25,000	3.350%	**—**	150
March 20, 2017 [3]	20,000	3.366%	**—**	121
August 28, 2018 (US$25,000) [4]	33,248	1.348%	**(44)**	16
August 28, 2018 (US$25,000) [4]	33,248	1.344%	**(45)**	14
August 28, 2018 (US$25,000) [4]	33,248	1.350%	**(43)**	17
August 28, 2018 (US$20,000) [4]	26,598	1.330%	**(42)**	5
October 17, 2018 (US$25,000) [4]	33,248	1.645%	**109**	199
October 17, 2019 (US$25,000) [4]	33,248	1.155%	**(443)**	(388)
October 17, 2019 (US$25,000) [4]	33,248	1.155%	**(443)**	(388)
August 28, 2020 (US$30,000) [4]	39,897	1.850%	**75**	195
August 28, 2020 (US$25,000) [4]	33,248	1.835%	**46**	146
August 28, 2020 (US$25,000) [4]	33,248	1.805%	**14**	109
Total derivative (assets) liabilities held for risk management			**$ (816)**	$ 196

1. The listed fixed interest rates offset floating rates of BA/LIBOR/prime-rate loans.
2. For presentation purposes, the current portion of the fair value of the interest rate swaps are included in trade payables, accrued and other liabilities and the non-current portion is included in other long-term liabilities and other assets.
3. Not-designated as hedges for the purposes of hedge accounting. Fair value changes on these swaps are recognized in net (loss) income and presented under finance expense.
4. Designated as hedges for the purposes of hedge accounting. Fair value changes on these swaps are recognized in OCI.

Foreign exchange contracts

The Company is subject to foreign exchange risk on its USD and other foreign currency denominated financial assets and liabilities. The Company, from time to time, manages a portion of its USD exchange risk through the use of foreign exchange forward contracts, most with a maturity of less than one year from the reporting date.

Also, from time to time, the Company enters into foreign exchange forward contracts to manage foreign exchange rate risk related to the Company's net investment in foreign operations for which the USD is the functional currency. The Company may also enter into forward contracts to manage foreign exchange risk relating to its debt covenants.

As at March 31, 2017 and December 31, 2016, no forward contracts were held.

Fair value hierarchy

A fair value hierarchy is utilized by the Company to categorize inputs used in valuation techniques to measure derivatives at fair value. The fair value hierarchy levels are defined as follows:

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

Fair value measurements

The Company has not included the fair values of cash and cash equivalents, trade, unbilled and other receivables and trade payables, accrued and other liabilities, in the table below because their carrying amounts are a reasonable approximation of their fair values due to the short term nature of these amounts.

The following table lists the carrying amounts and fair values of other financial assets and financial liabilities on the condensed consolidated statements of financial position:

			March 31		December 31
			2017		2016
	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets measured at fair value					
Derivative assets held for risk management	Level 2	**$ 1,060**	**$ 1,060**	$ 776	$ 776
Financial liabilities measured at fair value					
Derivative liabilities held for risk management	Level 2	**$ 244**	**$ 244**	$ 972	$ 972
Financial liabilities not measured at fair value					
Convertible debentures (6.0%, 5-year) - liability component	Level 2	**$ 222,046**	**$ 226,487**	$ 220,883	$ 255,953
Convertible debentures (5.0%, 5.5-year) - liability component	Level 2	**211,333**	**213,446**	210,210	226,205
Loans and borrowings	Level 2	**1,491,055**	**1,547,512**	1,513,254	1,573,726

Derivative instruments held for risk management purposes, carried at fair value, are included in Level 2 of the fair value hierarchy as they are valued using pricing models or DCF models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward price curves and yield curves.

Loans and borrowings are included in Level 2 of the fair value hierarchy as they are valued using the DCF model. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward price curves, yield curves, and the credit-adjusted discount rate.

The liability component of the convertible debentures is included in Level 2 of the fair value hierarchy as it is valued using the fair value of a similar liability that does not have an equity conversion option. Specifically, the fair value of the liability component is derived from applying credit spreads to the discount rate of the liability component that are implied from separating the fair value of the equity conversion option from the observable fair market value of the compound instrument in aggregate.

Inputs used are obtained from or corroborated with the market where possible.

13. Share-based compensation

The Company has four components of its share-based compensation plans: stock options, deferred share units ("DSUs"), restricted share units ("RSUs") and performance share units ("PSUs"). Share-based compensation expenses were included in the condensed consolidated statements of income under Employee Compensation and Benefits expense.

Share-based compensation expense	Three months ended March 31 2017	2016
Stock options	**$ 792**	$ 733
DSU	**580**	529
RSU	**1,408**	1,679
PSU	**308**	1,169
Total share-based compensation expense	**$ 3,088**	$ 4,110

Stock Options

D+H maintains a stock option plan for certain employees, including its key management personnel. The following table presents information regarding the number of stock options granted by the Company for the three months ended March 31, 2017:

	Number of options (in units)	**Weighted average price**
Balance as at January 1	**3,550,654**	**$ 34.29**
Granted	**—**	**$ —**
Exercised	**—**	**$ —**
Forfeited	**(86,875)**	**$ 36.73**
Outstanding balance as at March 31	**3,463,779**	**$ 34.23**
Exercisable balance as at March 31	**1,432,542**	**$ 32.02**

The fair value of options granted is determined using a Black-Scholes valuation model. No stock options were granted during the three months ended March 31, 2017.

DSUs, RSUs and PSUs

The following table presents the number of DSUs, RSUs, and PSUs units granted by the Company for the three months ended March 31, 2017:

	DSU	**RSU**	**PSU**
Balance as at January 1	**93,897**	**275,522**	**374,173**
Granted	**—**	**211,510**	**441,323**
Exercised	**—**	**(58,046)**	**(14,449)**
Forfeited	**—**	**(3,733)**	**(202,200)**
Other [1]	**447**	**6,289**	**9,273**
Balance as at March 31	**94,344**	**431,542**	**608,120**

1. Other includes reinvested dividends.

14. (Loss) earnings per share

The following table sets out the computation of basic and diluted net (loss) income per share:

	Three months ended March 31 2017	2016
Numerator for basic and diluted earnings per share (thousands of Canadian dollars)		
Net (loss) income for the period	**$ (2,731)**	$ 4,787
Denominator (thousands of shares)		
Weighted average number of shares outstanding for:		
Basic earnings per share	**106,882**	106,472
Effect of dilutive securities:		
Stock options	**—**	168
Weighted average number of shares outstanding for :		
Diluted earnings per share	**106,882**	106,640
(Loss) earnings per share - basic and diluted	**$ (0.03)**	$ 0.04

The following table lists the number of equity securities excluded from the computation of diluted (loss) earnings per share. Potential shares related to stock options were excluded in the diluted (loss) earnings per share calculation as the average market price of the Company's shares was below the exercise price of these options. Potential shares related to convertible debentures were excluded as use of the if-converted method had an anti-dilutive effect on (loss) earnings per share.

	Three months ended March 31	
(thousands of shares)	**2017**	2016
Diluted net (loss) income per share - equity securities excluded		
Stock options	**3,464**	3,160
Convertible debentures	**12,270**	12,294

15. Operating Segments

As disclosed in note 1, in the first quarter of 2017 the Company realigned its business segments to drive global scale and operating effectiveness. The new reportable business segments are the GPS, GLS and Financial Solutions segments. The GPS segment is comprised of the Company's operations in global technology payment and treasury technologies. The GLS segment primarily comprises the Company's operations in lending solutions in the U.S. and Canada. The Financial Solutions segment primarily comprises the Company's operations in enterprise solutions in the U.S., and retail solutions in Canada. The GPS, GLS, Financial Solutions and Corporate segments are components that the Company's chief operating decision maker ("CODM") monitors in making decisions about resources to be allocated to the segments and to assess performance and for which discrete financial information is available. For the three business segments, the Company's CODM reviews internal management reports on a monthly basis. The Corporate segment consists of the corporate overhead costs that are not allocated to operating segments. Corporate overhead costs relate to human resources, finance, legal, accounting, merger and acquisition activities as well as other costs that are not considered when management evaluates segment performance.

Information regarding the results of each reportable segment is included below. Performance is measured based on the segment's Adjusted EBITDA and also excludes: (i) acquisition-related expenses such as transaction costs, business integration costs, certain retention and incentive costs incurred in connection with acquisitions (ii) other charges such as costs related to the Company's initiatives to align global operations and achieve cost synergies following the acquisitions, and costs incurred in connection with cost-realignment initiatives; (iii) certain foreign exchange gains and losses on financing related intercompany balances; and (iv) expenses related to addressing third parties interest in acquiring the Company. Adjusted EBITDA also excludes effects of acquisition accounting on the fair value of deferred revenues and deferred costs acquired as part of acquisitions.

Three months ended March 31

	Global Payment Solutions		**Global Lending Solutions**		**Financial Solutions**		**Corporate**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenues	**$ 75,963**	$ 81,307	**$166,470**	$164,617	**$155,427**	$166,225	**$ —**	$ —	**$397,860**	$412,149
Adjusted EBITDA	**$ 12,162**	$ 19,745	**$ 59,110**	$ 56,683	**$ 39,019**	$ 43,153	**$ (12,233)**	$ (16,614)	**$ 98,058**	$102,967

	Three months ended March 31	
	2017	2016
Reconciliation of information on reportable segments to the consolidated statements of income		
Total segment measure of profit - Adjusted EBITDA	**$ 98,058**	$ 102,967
Acquisition accounting adjustments	**(728)**	(558)
Costs related to Proposed Transaction	**11,726**	—
Acquisition, integration and other related charges	**327**	5,655
Realignment of global operations and other restructuring expenses[1]	**2,766**	6,790
Foreign exchange gain (loss)	**1,415**	(1,169)
Income from operating activities before depreciation, amortization and finance expense	**82,552**	92,249
Depreciation of property, plant and equipment	**6,388**	7,254
Amortization of intangible assets	**66,307**	69,416
Finance expense	**24,821**	26,476
Loss before income taxes	**$ (14,964)**	$ (10,897)

1. Restructuring and other expenses; refer to note 10 for further details.