

A silhouette of a person's arm and hand raised in a fist, set against a bright, golden sunrise over a city skyline. The sun is low on the horizon, creating a lens flare effect. The city buildings are silhouetted against the bright sky. The overall mood is one of achievement and forward momentum.

TECSYS®

FORGING AHEAD

1ST QUARTER
FISCAL 2017
REPORT

TECSYS Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations dated September 8, 2016

The following discussion and analysis should be read in conjunction with the Condensed Interim Consolidated Financial Statements of TECSYS Inc. (the "Company") and Notes thereto, which are included in this document, and the annual report for the year ended April 30, 2016. The Company's first quarter of fiscal year 2017 ended on July 31, 2016. Additional information about the Company, including copies of the continuous disclosure materials such as the annual information form and the management proxy circular are available through the SEDAR Website at <http://www.sedar.com>.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

This document and the condensed interim consolidated financial statements are expressed in Canadian dollars unless it is otherwise indicated. The Company's functional currency is the Canadian dollar as it is the currency that represents the primary economic environment in which the Company operates.

Quarterly Selected Financial Data

(Quarterly data are unaudited)

In thousands of Canadian dollars, except per share data

	2017		2016			2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenue	16,097	21,144	15,629	15,762	14,931	15,766	14,958	13,548
Profit	128	3,825	543	367	69	295	467	410
Comprehensive (Loss) Income	(597)	4,811	296	723	(514)	1,037	7	291
Basic and Diluted Earnings per Common Share	0.01	0.31	0.04	0.03	0.01	0.02	0.04	0.04

In the fourth quarter of fiscal 2016, the Company had significant deliveries of proprietary products which amounted to \$5.9 million compared to an average of \$2.6 million in the first three quarters of fiscal 2016. In addition, the Company recognized deferred tax assets of \$1.4 million, arising from the expected increase in operating profits in future years. Comprehensive income was significantly higher compared to profit whereas for the previous three quarters in fiscal 2016, the opposite was true. This is attributable to the decline in the closing rate of the U.S. dollar from the end of the third quarter, which gave rise to fair value gains on designated revenue hedges attributable to fiscal 2017 due to the foreign exchange rates in revenue hedging contracts being higher than the year end closing rate.

In the fourth quarter of fiscal 2015, comprehensive income was significantly higher compared to profit whereas for the previous two quarters in fiscal 2015, the opposite was true. This is attributable to the decline in the closing rate of the U.S. dollar from the end of the third quarter, which gave rise to the recovery of fair value losses on designated revenue hedges attributable to fiscal 2016 due to the foreign exchange rates in revenue hedging contracts being higher than the year end closing rate.

Results of Operations

Three months ended July 31, 2016 compared to three months ended July 31, 2015

Revenue

Total revenue for the first quarter ended July 31, 2016 increased to \$16.1 million, \$1.2 million or 8% higher, compared to \$14.9 million for the same period of fiscal 2016. The U.S. dollar averaged CA\$1.2959 in the first quarter of fiscal 2017 in comparison to CA\$1.2466 in the first quarter of fiscal 2016. Approximately 66% of the Company's revenues were generated in the United States during the first quarter of fiscal 2017, hence as a result of the stronger U.S. dollar and the favorable impact of the Company's designated hedging of highly probable U.S. revenue, the impact to revenue was favorable by an estimated \$950,000 in comparison to the first quarter of fiscal 2016. The stronger U.S. dollar impacted cost of sales and operating expenses unfavorably by approximately \$150,000.

Proprietary products, defined as internally developed products including proprietary software and technology hardware, increased to \$2.4 million, \$208,000 or 10% higher, in the first quarter of fiscal 2017 in comparison to the same period last year. The increase was primarily due to higher sales of hardware technology products.

Overall total contract value bookings amounted to \$6.0 million in the first quarter of fiscal 2017 in comparison to \$6.7 million for the same period of the previous fiscal year. During the first quarter of fiscal 2017, the Company signed two new accounts with a total contract value of \$1.7 million compared to four new accounts with a total contract value of \$1.7 million in the first quarter of fiscal 2016.

Third party products revenue increased to \$2.2 million, \$106,000 or 5% higher, in the first quarter of fiscal 2017 in comparison to \$2.1 million for the same period last year. The increase in revenue is attributable to higher storage products revenue partially offset by a decrease in radio frequency equipment revenue.

Services revenue increased to \$11.0 million, higher by \$703,000 or 7%, in the first quarter of fiscal 2017 compared to \$10.3 million for the same period in the previous fiscal year. The increase in services revenue is primarily attributable to higher support and hosting revenues and the favorable impact of the stronger U.S. dollar.

As a percentage of total revenue, products accounted for 28% and services for 68% in the first quarter of fiscal 2017 and 28% and 69% respectively for the comparable period of fiscal 2016.

Cost of Revenue

Total cost of revenue increased to \$8.5 million, higher by \$980,000 or 13%, in the first quarter of fiscal 2017 in comparison to \$7.5 million for the same period in fiscal 2016. The increase is attributable to higher services costs of \$741,000, higher reimbursable expenses of \$149,000 and higher products costs of \$90,000.

The cost of services increased to \$6.2 million, higher by \$741,000 or 13% in the first quarter of fiscal 2017 in comparison to \$5.5 million for the same period last year. The increase is primarily attributable to higher employee salaries and benefits, recruitment expenses, consulting fees and hosting expenses offset by a decrease in severance and an increase in tax credits. In the first quarter of fiscal 2017, the average services headcount increased by twenty-three in comparison to the same period last year. The cost of services includes tax credits of \$444,000 for the first quarter of fiscal 2017 compared to \$335,000 for the same period in the previous fiscal year. The increase in tax credits is due to the non-refundable e-business tax credits introduced on March 26, 2015. In fiscal 2016, all of the non-refundable e-business tax credits were recorded in fourth quarter, whereas in fiscal 2017, the non-refundable e-business tax credits are recorded quarterly when the related expenditure is incurred.

The cost of products increased by \$90,000 or 6% to \$1.7 million in comparison to the same period last year and is largely related to the increase in storage equipment revenue partially offset by the decrease in radio frequency equipment revenue discussed earlier.

Gross Profit

Gross profit increased to \$7.6 million, higher by \$186,000 or 3%, in the first quarter of fiscal 2017 in comparison to \$7.4 million for the same period last year. This is mainly attributable to higher products margin of \$224,000 offset by lower services margin of \$38,000. Total gross profit percentage in the first quarter of fiscal 2017 was 47% compared to 50% in the same period of fiscal 2016.

Services gross profit during the first quarter of fiscal 2017 decreased by \$38,000 in comparison to the same period of fiscal 2016. The services gross profit stayed relatively flat primarily due to the increased revenues arising mainly from higher support and hosting revenues, as well as the favorable impact on revenue from the stronger U.S. dollar offset by the increased services costs arising primarily from the increased headcount as compared to the same period in the prior year. Services gross profit margin was 43% of services revenue in the first quarter of fiscal 2017 in comparison to 47% for the comparable period last year.

The products margin increased to \$2.8 million, \$224,000 higher than the same period last year and is largely attributable to higher hardware technology and storage equipment revenues partially offset by the lower volume of radio frequency hardware sold during the quarter as discussed earlier.

Operating Expenses

Total operating expenses for the first quarter of fiscal 2017 increased to \$7.4 million, higher by \$150,000 or 2%, compared to \$7.2 million for the same three-month period last year. The Company expects to leverage its current sales, marketing, general and administrative as well as its R&D organization to support revenue growth. The most notable differences between the first quarter of fiscal 2017 in comparison with the same period in fiscal 2016 are as follows.

- Sales and marketing expenses stayed relatively flat at \$3.6 million in comparison to the same period of fiscal 2016. Variable selling expenses were lower offset by an increase in consulting expenses in comparison to the same period in fiscal 2016.
- General and administrative expenses decreased to \$1.3 million, \$29,000 lower than the comparable quarter last year. The costs remained relatively flat mainly due to a decrease in legal expenses offset by an increase in salaries and benefits.
- Net R&D expenses increased to \$2.4 million, \$185,000 higher than the comparable quarter last year primarily due to lower capitalization of deferred development costs. Gross R&D expenses decreased by \$206,000 comprising primarily of lower consulting and travel expenses. The Company also recorded \$358,000 of refundable and non-refundable R&D and e-business tax credits in the first quarter of fiscal 2017 in comparison to \$339,000 for the same period in fiscal 2016. In addition, the Company did not capitalize any deferred development costs in the first quarter of fiscal 2017 as compared to \$399,000 in the first quarter of fiscal 2016 due to the substantial completion of the migration of the Company's flagship product, *EliteSeries*, from 4GL to the Java platform. Also, the Company amortized deferred development costs of \$348,000 in the first quarter of fiscal 2017 in comparison to \$337,000 for the same quarter a year earlier.

Profit from Operations

The Company recorded profit from operations of \$243,000 in the first quarter of fiscal 2017 in comparison to \$207,000 for the comparable quarter of the previous year primarily as a result of a higher products gross profit offset by a decrease in services gross profit and an increase in R&D expenses.

Net Finance Costs

In the first quarter of fiscal 2017, the Company recorded net finance costs of \$96,000 in comparison to \$40,000 for the comparable quarter last year. The increase in net finance costs is primarily attributable to the higher exchange loss offset by an increase in interest income and a decrease in interest expense.

Profit

The Company recorded a profit of \$128,000 or \$0.01 per share in the first quarter of fiscal 2017 in comparison to a profit of \$69,000 or \$0.01 per share in the first quarter of fiscal 2016.

Income Taxes

As at April 30, 2016, the Company had recognized net deferred tax assets of \$2.2 million and unrecognized net deferred tax assets of \$6.3 million covering various jurisdictions and Canadian federal non-refundable SRED tax credits totaling approximately \$6.6 million which may be used only to reduce future current Canadian federal income taxes otherwise payable. As such, the Company does not expect to pay any significant cash taxes in the foreseeable future. Refer to note 15 of the annual consolidated financial statements for further detail.

Liquidity and Capital Resources

On July 31, 2016, current assets totaled \$34.0 million compared to \$37.1 million at the end of fiscal 2016. Cash and cash equivalents increased to \$13.5 million compared to \$9.7 million as at April 30, 2016 primarily due to cash generated from operations and non-cash working capital. Accounts receivable and work in progress totaled \$13.9 million on July 31, 2016 compared to \$18.8 million as at April 30, 2016. The decrease in accounts receivable and work in progress is due to a heavy focus on cash collections during the first quarter of fiscal 2017 on receivables generated during the record quarter for revenues that occurred in the fourth quarter of fiscal 2016.

The Company's DSO (days sales outstanding) stood at 78 days at the end the first quarter of fiscal 2017 compared to 80 days at the end of fiscal 2016 and 78 days at the end of the first quarter of fiscal 2016.

Current liabilities on July 31, 2016 totaled \$20.8 million compared to \$23.1 million at the end of fiscal 2016. The movement in the current liabilities is largely characterized by the decrease of accounts payable and accrued liabilities of \$2.1 million primarily due to the payment of incentives for fiscal year 2016 performance as well as payment to suppliers of third party products. Working capital decreased to \$13.2 million at the end of July 31, 2016 in comparison to \$14.0 million at the end of fiscal year 2016.

The Company's banking and credit facilities require adherence to financial covenants. The Company was in compliance with these covenants as at July 31, 2016 and April 30, 2016.

Operating activities generated funds of \$4.3 million in the first quarter of fiscal 2017 in comparison to \$2.0 million in the corresponding quarter of fiscal 2016. Operating activities excluding changes in non-cash working capital items generated \$897,000 in the first quarter of fiscal 2017 in comparison to \$1.1 million in the same period in fiscal 2016 mainly due to higher non-refundable tax credits and lower unrealized foreign exchange losses that do not contribute to cash.

Non-cash working capital items generated funds of \$3.4 million in the first quarter of fiscal 2017 primarily due to decreases in accounts receivable of \$5.5 million and tax credits receivable of \$1.7 million and offset partially by a decrease in accounts payable and accrued liabilities of \$2.8 million and an increase in work in progress of \$662,000. The accounts receivable as at July 31, 2016 are lower as compared to April 30, 2016 due to lower revenues generated in the first quarter of fiscal 2017 as compared to the fourth quarter of fiscal 2016. During the first quarter of fiscal 2017, the Company received \$2.3 million of refundable tax credits pertaining to fiscal year 2015.

Non-cash working capital items generated funds of \$962,000 in the first quarter of fiscal 2016 primarily due to decreases in tax credits receivable of \$2.0 million and accounts receivable of \$814,000, and an increase in deferred revenue of \$957,000 and offset partially by the decrease in accounts payable and accrued liabilities of \$1.9 million and an increase in work in progress of \$460,000.

The Company believes that funds on hand at July 31, 2016 combined with cash flow from operations and its accessibility to its banking facilities will be sufficient to meet its needs for working capital, R&D, capital expenditures, debt repayment, and dividends for at least the next twelve months.

Financing activities used funds of \$385,000 in the first quarter of fiscal 2017 in comparison to \$407,000 in the same period in fiscal 2016. During the first quarter of fiscal 2017, the Company repaid \$359,000 of long-term debt in comparison to \$367,000 repaid in the first quarter of fiscal 2016. The Company paid interest of \$26,000 and \$40,000 during the first quarter of fiscal 2017 and fiscal 2016, respectively.

During the first quarter of fiscal 2017, investing activities used funds of \$109,000 in comparison to \$553,000 in the comparable period last year. The Company used funds of \$142,000 and \$184,000 for the acquisition of property and equipment, and intangible assets in the first quarter of fiscal 2017 and fiscal 2016 respectively. In the first quarter of fiscal 2016, the Company invested in its proprietary software products with the capitalization of \$399,000 reflected as deferred development costs whereas no capitalization of costs were recorded in the first quarter of fiscal 2017. The Company received interest of \$33,000 and \$18,000 in the first quarter of fiscal 2017 and fiscal 2016, respectively.

Related Party Transactions

Under the provisions of the current share purchase plan for key management and other management employees, the Company extended interest-free loans of \$187,000 to key management and other management employees to facilitate their purchase of Company shares during the first quarter ended July 31, 2016. These loans will be fully repaid before the end of the fiscal year, April 30, 2017. The outstanding loans as at July 31, 2016 amounted to \$140,000.

Subsequent Event

On September 8, 2016, the Company declared a dividend of \$0.03 per share, to be paid on October 7, 2016 to shareholders of record at the close of business on September 23, 2016.

Current and Anticipated Impacts of Current Economic Conditions

The current overall economic condition, together with the market uncertainty and volatility that exists today, may have an adverse impact on the demand for the Company's products and services as industry may adjust quickly to exercise caution on capital spending.

Fiscal 2016 was a very robust period with bookings amounting to \$42.2 million, and this continued the trend from fiscal year 2015 where bookings totaled \$47.0 million, with a substantial amount of the bookings being in the healthcare sector. During each of the fiscal 2014 and 2013, the Company generated approximately \$24 million in new total contract value bookings. The magnitude of the growth trend will depend on the strength and sustainability of the economic recovery, growth, and the demand for supply chain management software.

Given the current backlog of \$42.1 million, comprised primarily of services, the Company's management believes that the services revenue ranging between \$10.5 million and \$11.0 million per quarter can be sustained in the short term if no significant new agreements are completed.

Strategically, the Company continues to focus its efforts on the most likely opportunities within its existing vertical markets and customer base. The Company also currently offers subscription-based licensing, hosting services, modular sales and implementations, and enhanced payment terms to promote revenue growth.

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company generally derives 65% to 75% of its business from U.S. customers while the majority of its cost base is in Canadian dollars.

The Company will continue to adjust its business model to ensure that costs are aligned to its revenue expectations and the economic reality. The Company has increased its headcount over the past several years to meet the higher demand for its services and to capture pipeline opportunities. The Company will focus its attention on rendering this investment profitable while addressing the services backlog contributing to revenue generation. Other cost areas under continuous scrutiny are traveling, consulting and communications.

The Company believes that funds on hand together with anticipated cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet all its needs for a least the next twelve months. The Company can further manage its capital structure by adjusting its dividend policy.

Outstanding Share Data

On September 8, 2016, the Company has 12,315,326 common shares as there has been no activity since the end of the Company's first quarter.

Change in Accounting Policies

No new accounting standards adopted in 2017

The Company has not adopted any new standards, amendments and interpretations to existing standards in the first quarter of 2017 commencing May 1, 2016. The preparation of financial data is based on the accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at April 30, 2016.

New accounting standards and interpretations issued but not yet adopted

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are mandatory but not yet effective for the period ended July 31, 2016, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for the following:

IFRS 9, *Financial Instruments* ("IFRS 9"):

In July 2014, the IASB issued the complete version of IFRS 9 (2014), *Financial Instruments*. IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted, however an entity may elect to apply earlier versions of IFRS 9 if the entity's relevant date of initial application is before February 1, 2015. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"):

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers.

IFRS 15 supersedes the following standards: IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Service*.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16"):

In January 2016, the IASB issued IFRS 16, which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, *Leases*. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15 has also been applied. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

Critical Accounting Policies

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results. A summary of the Company's significant accounting policies, including the critical accounting policies discussed below, is set out in the notes to the accompanying financial statements and the financial statements for the year ended April 30, 2016.

Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about areas requiring the use of judgment, management assumptions and estimates, and key sources of estimation uncertainty that the Company believes could have the most significant impact on reported amounts is noted below:

(i) Revenue recognition:

A portion of the Company's revenue is recognized on a percentage-of-completion basis. In this regard, estimates are required in determining the level of advancement and in determining the costs to complete the deliverables.

Revenue recognition is subject to critical judgment, particularly in multiple-element arrangements where judgment is required in allocating revenue to each component, including licenses, professional services and maintenance services, based on the relative fair value of each component. As certain of these components have a term of more than one year, the identification of each deliverable and the allocation of the consideration received to the components impacts the timing of revenue recognition.

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various tax credits and in assessing the eligibility of research and development and other expenses which give rise to these credits.

(iii) Income taxes:

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and available tax planning strategies in making this assessment.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

(iv) Impairment of assets:

Impairment assessments may require the Company to determine the recoverable amount of a cash generating unit ("CGU"), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: expected sales, gross margins, selling costs, timing and size of

cash flows, and discount and interest rates. The Company documents and supports all assumptions made in the above estimates and updates such assumptions to reflect the best information available to the Company if and when an impairment assessment requires the recoverable amount of a CGU to be determined.

(v) Allowance for doubtful accounts:

The Company makes an assessment of whether accounts receivable are collectable, which considers credit loss insurance and the credit-worthiness of each customer, taking into account each customer's financial condition and payment history in order to estimate an appropriate allowance for doubtful accounts. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial conditions deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company may be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

(vi) Business combinations:

Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures regarding the communication of information. They are assisted in this responsibility by the Company's Executive Committee, which is composed of members of senior management. Based on the evaluation of the Company's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of July 31, 2016.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements. The control framework that was designed by the Company's ICFR is in accordance with the framework criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013)(COSO).

No changes to internal controls over financial reporting have come to management's attention during the three-month period ending on July 31, 2016 that have materially affected, or are reasonably likely to materially affect internal controls over financial reporting.

Forward-Looking Information

This management's discussion and analysis contains "forward-looking information" within the meaning of applicable securities legislation. Although the forward-looking information is based on what the Company believes are reasonable assumptions, current expectations, and estimates, investors are cautioned on placing undue reliance on this information since actual results may vary from the forward-looking information. Forward-looking information may be identified by the use of forward-looking terminology such as "believe", "intend", "may", "will", "expect", "estimate", "anticipate", "continue" or similar terms, variations of those terms or the negative of those terms, and the use of the conditional tense as well as similar expressions.

Such forward-looking information that is not historical fact, including statements based on management's belief and assumptions cannot be considered as guarantees of future performance. They are subject to a number of risks and uncertainties, including but not limited to future economic conditions, the markets that the Company serves, the actions of competitors, major new technological trends, and other factors, many of which are beyond the Company's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. The Company undertakes no obligation to update publicly any forward-looking information whether as a result of new information, future events or otherwise other than as required by applicable legislation.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this management discussion and analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) competitive environment; (ii) operating risks; (iii) the Company's management and employees; (iv) capital investment by the Company's customers; (v) customer project implementations; (vi) liquidity; (vii) current global financial conditions; (viii) implementation of the Company's commercial strategic plan; (ix) credit; (x) potential product liabilities and other lawsuits to which the Company may be subject; (xi) additional financing and dilution; (xii) market liquidity of the Company's common shares; (xiii) development of new products; (xiv) intellectual property and other proprietary rights; (xv) acquisition and expansion; (xvi) foreign currency; (xvii) interest rate; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and applications, (xx) and cyber security.

Non-IFRS Performance Measures

The Company uses certain non-IFRS financial performance measures in its MD&A and other communications which are described in the following section. Many of these non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Company's performance.

EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. The Company believes that this measure is commonly used by investors and analysts to measure a company's performance, its ability to service debt and to meet other payment obligations, or as a common valuation measurement.

The EBITDA calculation for the first three months of fiscal 2017 and 2016, derived from IFRS measures in the Company's condensed interim consolidated financial statements, is as follows:

	Three-months ended July 31, 2016	Three-months ended July 31, 2015
Profit for the period	\$ 128	\$ 69
Adjustments for:		
Depreciation of property and equipment	201	187
Depreciation of deferred development costs	348	337
Depreciation of other intangible assets	125	118
Interest expense	26	40
Interest income	(33)	(18)
Income taxes	19	98
EBITDA	\$ 814	\$ 831

Recurring Revenue

Recurring revenue is defined as the contractually committed purchase of services, generally comprising proprietary and third-party maintenance and hosting services, over the next twelve months. The quantification assumes that the customer will renew the contractual commitment on a periodic basis as they come up for renewal. This portion of the Company's revenue is predictable and stable.

Bookings

Broadly speaking, bookings refers to the total value of accepted contracts, including software licenses and other proprietary products and related support services, third-party hardware and software and related support services, contracted work or services, and changes to such contracts recorded during a specified period. The Total Contract Value (TCV) is not typically limited to the first year, nor would it typically exclude certain transaction types. The Company believes that this metric is a primary indicator of the general state of the business performance. Bookings typically include all items with a revenue implication, such as new contracts, renewals, upgrades, downgrades, add-ons, early terminations and refunds. Bookings are typically segmented into classifications, such as new account bookings or base account bookings, and performance in these bookings classes is frequently used in various sales and other compensation plans.

Backlog

Generally, backlog refers to something unfulfilled. In a traditional software company, this term is used largely within finance. Backlog refers to the value of contracted orders that have not shipped and services not yet delivered. Backlog could refer to the value of contracted or committed revenue that is not yet recognizable due to acceptance criteria, delivery of professional services, or some accounting rule. The quantification of backlog is not limited to the first year, nor would it typically exclude certain transaction types. In this context, backlog is really "revenue backlog" and is the total unrecognized future revenue from existing signed contracts. Backlog includes recurring revenue as discussed earlier.

Days Sales Outstanding (DSO)

Days sales outstanding (DSO) is a measure of the average number of days that a company takes to collect revenue after a sale has been made. The Company's DSO is determined on a quarterly basis and can be calculated by dividing the amount of accounts receivable and work in progress at the end of a quarter by the total value of sales during the same quarter, and multiplying the result by 90 days.

Condensed Interim Consolidated Financial Statements of
(Unaudited)

TECSYS INC.

For the three-month periods ended July 31, 2016 and 2015

MANAGEMENT'S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED JULY 31, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Dated this 8th day of September, 2016.

TECSYS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three-month periods ended July 31, 2016 and 2015

Financial Statements

Condensed Interim Consolidated Statements of Financial Position.....	1
Condensed Interim Consolidated Statements of Income and Comprehensive Income	2
Condensed Interim Consolidated Statements of Cash Flows	3
Condensed Interim Consolidated Statements of Changes in Equity	4
Notes to the Condensed Interim Consolidated Financial Statements	5

TECSYS Inc.**Condensed Interim Consolidated Statements of Financial Position**

(Unaudited)

As at July 31, 2016 and April 30, 2016

(in thousands of Canadian dollars)

	Note	July 31, 2016	April 30, 2016
Assets			
Current assets			
Cash and cash equivalents	\$	13,506	\$ 9,704
Accounts receivable		12,694	18,239
Work in progress		1,175	513
Other accounts receivable		757	1,393
Tax credits		3,358	4,893
Inventory		835	744
Prepaid expenses		1,633	1,622
Total current assets		33,958	37,108
Non-current assets			
Tax credits		1,558	1,483
Property and equipment		2,526	2,633
Deferred development costs		3,469	3,817
Other intangible assets		1,754	1,831
Goodwill		3,596	3,596
Deferred tax assets		2,226	2,222
Total non-current assets		15,129	15,582
Total assets	\$	49,087	\$ 52,690
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$	8,269	\$ 10,399
Current portion of long-term debt		1,465	1,455
Deferred revenue		11,059	11,205
Total current liabilities		20,793	23,059
Non-current liabilities			
Long-term debt		1,520	1,889
Other non-current liabilities		294	296
Total non-current liabilities		1,814	2,185
Total liabilities		22,607	25,244
Equity			
Share capital		8,349	8,349
Contributed surplus		9,577	9,577
Retained earnings		8,672	8,913
Accumulated other comprehensive (loss) income	8	(118)	607
Total equity attributable to the owners of the Company		26,480	27,446
Subsequent event	11		
Total liabilities and equity	\$	49,087	\$ 52,690

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.**Condensed Interim Consolidated Statements of Income and Comprehensive Income**

(Unaudited)

Three month periods ended July 31, 2016 and 2015

(in thousands of Canadian dollars, except per share data)

	Note	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Revenue:			
Proprietary products		\$ 2,356	\$ 2,148
Third-party hardware and software products		2,170	2,064
Services	5	11,019	10,316
Reimbursable expenses		552	403
Total revenue		16,097	14,931
Cost of revenue:			
Products		1,698	1,608
Services	6	6,241	5,500
Reimbursable expenses		552	403
Total cost of revenue		8,491	7,511
Gross profit		7,606	7,420
Operating expenses:			
Sales and marketing		3,586	3,592
General and administration		1,340	1,369
Research and development, net of tax credits		2,437	2,252
Total operating expenses		7,363	7,213
Profit from operations		243	207
Net finance costs	7	96	40
Profit before income taxes		147	167
Income taxes		19	98
Profit attributable to the owners of the Company		\$ 128	\$ 69
Other comprehensive loss:			
Effective portion of changes in fair value on designated revenue hedges	8	(725)	(583)
Comprehensive loss attributable to the owners of the Company		\$ (597)	\$ (514)
Basic and diluted earnings per common share	4	\$ 0.01	\$ 0.01

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
Three-month periods ended July 31, 2016 and 2015
(in thousands of Canadian dollars)

	Note	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Cash flows from (used in) operating activities:			
Profit for the period		\$ 128	\$ 69
Adjustments for:			
Depreciation of property and equipment		201	187
Depreciation of deferred development costs		348	337
Depreciation of other intangible assets		125	118
Gain on disposal of property and equipment		-	(12)
Net finance costs	7	96	40
Unrealized foreign exchange and others		195	340
Non-refundable tax credits		(215)	(75)
Income taxes		19	75
Operating activities excluding changes in non-cash working capital items related to operations		897	1,079
Accounts receivable		5,545	814
Work in progress		(662)	(460)
Other accounts receivable		(106)	(286)
Tax credits		1,656	2,000
Inventory		(91)	21
Prepaid expenses		(11)	(225)
Accounts payable and accrued liabilities		(2,786)	(1,859)
Deferred revenue		(146)	957
Changes in non-cash working capital items related to operations		3,399	962
Net cash from operating activities		4,296	2,041
Cash flows used in financing activities:			
Repayment of long-term debt		(359)	(367)
Interest paid	7	(26)	(40)
Net cash used in financing activities		(385)	(407)
Cash flows (used in) from investing activities:			
Interest received	7	33	18
Acquisitions of property and equipment		(94)	(150)
Proceeds on disposal of property and equipment		-	12
Acquisitions of other intangible assets		(48)	(34)
Deferred development costs		-	(399)
Net cash used in investing activities		(109)	(553)
Net increase in cash and cash equivalents during the period		3,802	1,081
Cash and cash equivalents - beginning of period		9,704	10,815
Cash and cash equivalents - end of period		\$ 13,506	\$ 11,896

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.**Condensed Interim Consolidated Statements of Changes in Equity**

(Unaudited)

Three-month periods ended July 31, 2016 and 2015

(in thousands of Canadian dollars, except number of shares)

	Note	Share capital Number	Share capital Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, April 30, 2016		12,315,326	\$ 8,349	\$ 9,577	\$ 607	\$ 8,913	\$ 27,446
Profit for the period		-	-	-	-	128	128
Other comprehensive loss for the period:							
Effective portion of changes in fair value on designated revenue hedges	8	-	-	-	(725)	-	(725)
Total comprehensive income (loss) for the period		-	-	-	(725)	128	(597)
Dividends to equity owners	4	-	-	-	-	(369)	(369)
Total transactions with owners of the Company		-	-	-	-	(369)	(369)
Balance, July 31, 2016		12,315,326	\$ 8,349	\$ 9,577	\$ (118)	\$ 8,672	\$ 26,480
Balance, April 30, 2015		12,315,326	\$ 8,349	\$ 9,577	\$ 95	\$ 5,341	\$ 23,362
Profit for the period		-	-	-	-	69	69
Other comprehensive loss for the period:							
Effective portion of changes in fair value on designated revenue hedges	8	-	-	-	(583)	-	(583)
Total comprehensive income (loss) for the period		-	-	-	(583)	69	(514)
Dividends to equity owners	4	-	-	-	-	(308)	(308)
Total transactions with owners of the Company		-	-	-	-	(308)	(308)
Balance, July 31, 2015		12,315,326	\$ 8,349	\$ 9,577	\$ (488)	\$ 5,102	\$ 22,540

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

1. Description of business:

TECSYS Inc. (the “Company”) was incorporated under the Canada Business Corporations Act in 1983. The Company’s principal business activity is the development, marketing and sale of enterprise-wide supply chain management software for distribution, warehousing, transportation logistics and point-of-use. The Company also provides related consulting, education and support services. The Company is headquartered at 1, Place Alexis Nihon, Montréal, Canada, and derives substantially all of its revenue from customers located in the United States and Canada. The Company’s customers consist primarily of healthcare systems and high-volume distributors of discrete goods. The consolidated financial statements comprise the Company and its wholly-owned subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange under the symbol TCS.

2. Statement of compliance:

These condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company’s interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended April 30, 2016.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 8, 2016.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at April 30, 2016.

3. New accounting standards and interpretations issued but not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or the International Financial Reporting Standards Interpretations Committee (“IFRS IC”) that are mandatory but not yet effective for the period ended July 31, 2016, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for the following:

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

IFRS 9, *Financial Instruments* (“IFRS 9”):

In July 2014, the IASB issued the complete version of IFRS 9 (2014), *Financial Instruments*. IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted, however an entity may elect to apply earlier versions of IFRS 9 if the entity’s relevant date of initial application is before February 1, 2015. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”):

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers.

IFRS 15 supersedes the following standards: IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Service*.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

IFRS 16, *Leases* (“IFRS 16”):

In January 2016, the IASB issued IFRS 16, which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17, *Leases*. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15 has also been applied. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

4. Share capital:

(a) On July 6, 2016, the Company’s Board of Directors approved a 20% increase of the quarterly dividend from \$0.025 per share to \$0.03 per share. To this effect, the Company declared a dividend of \$0.03 per share, paid on August 4, 2016 to shareholders of record on July 21, 2016.

On July 8, 2015, the Company declared a dividend of \$0.025 per share, paid on August 6, 2015 to shareholders of record on July 22, 2015.

(b) Earnings per share:

Basic earnings per share:

The calculation of basic earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding calculated as follows:

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Profit attributable to common shareholders	\$ 128	\$ 69
Weighted average number of common shares outstanding (basic)	12,315,326	12,315,326
Basic earnings per common share	\$ 0.01	\$ 0.01

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Diluted earnings per share:

The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive share options. The impact of dilutive share options is not significant and therefore diluted earnings per share equals basic earnings per share for the quarters ended July 31, 2016 and 2015.

5. Revenue:

Services revenue is broken down as follows:

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Professional services	\$ 6,388	\$ 6,481
Maintenance	4,019	3,376
Others	612	459
	<u>\$ 11,019</u>	<u>\$ 10,316</u>

6. Cost of revenue:

The following table provides details of the cost of services presented in cost of revenue:

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Gross expenses	\$ 6,685	\$ 5,835
E-business tax credits	(444)	(335)
	<u>\$ 6,241</u>	<u>\$ 5,500</u>

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

7. Net finance costs:

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Interest expense on financial liabilities measured at amortized cost	\$ 26	\$ 40
Increase in fair value of share options liability	-	1
Foreign exchange loss	103	17
Interest income on bank deposits and other	(33)	(18)
Net finance costs recognized in profit or loss	\$ 96	\$ 40

8. Derivative instruments and risk management:

The Company is exposed to currency risk as a certain portion of the Company's revenues and expenses are incurred in U.S. dollars resulting in U.S. dollar denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency. The Company may enter into foreign exchange contracts in order to offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S. net monetary assets and to hedge highly probable future revenue denominated in U.S. dollars. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profits. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the net monetary position in the foreign currency and the recognition of highly probable future U.S. denominated revenue and related accounts receivable.

Non-hedge designated derivative instruments

On July 31, 2016, the Company held outstanding foreign exchange contracts with various maturities to November 2016 to sell US\$3,850,000 into Canadian dollars at a rate of CA\$1.2651 to yield CA\$4,871,000. On July 31, 2016, the Company had recorded an unrealized exchange loss of \$154,000 included in accounts payable and accrued liabilities representing the change in fair value of these contracts since inception and their initial measurement.

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

On July 31, 2015, the Company held outstanding foreign exchange contracts with various maturities to November 2015 to sell US\$3,000,000 into Canadian dollars at a rate of CA\$1.2519 to yield CA\$3,756,000. On July 31, 2015, the Company had recorded an unrealized exchange loss of \$170,000 included in accounts payable and accrued liabilities representing the change in fair value of these contracts since inception and their initial measurement.

Additionally, on July 31, 2015, the Company held outstanding foreign exchange contracts with various maturities to November 2015 to buy €300,000 in exchange for \$432,000 Canadian dollars at a rate of CA\$1.4378. On July 31, 2015, the Company had recorded an unrealized exchange gain of approximately \$400.

Revenue hedge designated derivative instruments

On July 31, 2016, the Company held outstanding foreign exchange contracts with various maturities to April 28, 2017 to sell US\$12,000,000 into Canadian dollars at rates averaging CA\$1.3185 to yield CA\$15,822,000. Of the outstanding US\$12,000,000 hedge designated foreign exchange contracts, US\$8,000,000 pertains to highly probable future revenue denominated in U.S. dollars expected over the next six months while US\$4,000,000 relates to realized U.S. dollar denominated revenue. On July 31, 2016, the Company had recorded an overall unrealized gain of \$165,000 representing the change in fair value of these outstanding contracts since inception and their initial measurement. A fair value gain of \$314,000 of certain derivatives was recorded in other accounts receivable and a fair value loss of \$149,000 on other derivatives was recorded in accounts payable and accrued liabilities in the consolidated statement of financial position.

On July 31, 2015, the Company held outstanding foreign exchange contracts with various maturities to April 30, 2016 to sell US\$12,100,000 into Canadian dollars at rates averaging CA\$1.2363 to yield CA\$14,959,000. Of the outstanding US\$12,100,000 hedge designated foreign exchange contracts, US\$8,000,000 pertains to highly probable future revenue denominated in U.S. dollars expected over the next six months while US\$4,100,000 relates to realized U.S. dollar denominated revenue. On July 31, 2015, the Company had recorded an unrealized loss of \$875,000 included in accounts payable and accrued liabilities representing the change in fair value of these outstanding contracts since inception and their initial measurement.

The following table represent the movement in accumulated other comprehensive income (loss) since the designation of hedging derivative instruments.

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Accumulated other comprehensive income as at the beginning of the fiscal period	\$ 607	\$ 95
Net loss on derivatives designated as cash flow hedges	(574)	(1,071)
Amounts reclassified from accumulated other comprehensive income (loss) to net earnings, and included in:		
Revenue increase (decrease)	289	(256)
Exchange loss in net finance costs	(138)	(232)
Accumulated other comprehensive loss	\$ (118)	\$ (488)

As at July 31, 2016, all of the net loss presented in accumulated other comprehensive loss is expected to be classified to net earnings within the next six months.

The fair value of derivative financial instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. The fair value hierarchy related to the outstanding foreign exchange contracts is categorized as level 2.

9. Related party transactions:

Key management includes the Board of Directors (executive and non-executive) and members of the Executive Committee that report directly to the President and Chief Executive Officer of the Company.

Key management and their spouses control 41.0% of the issued common shares of the Company.

The compensation paid or payable to key management for employee services is as follows:

TECSYS INC.

Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)

Three-month periods ended July 31, 2016 and 2015
(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Salaries	\$ 637	\$ 672
Other short-term benefits	63	52
Payments to defined contribution plans	14	13
	<hr/>	<hr/>
	\$ 714	\$ 737

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans of \$187,000 (\$220,000 – fiscal 2015) to key management and other management employees to facilitate their purchase of Company shares during the three months ended July 31, 2016. The outstanding loans as at July 31, 2016 amounted to \$140,000 (\$165,000 – July 31, 2015). These loans will be fully repaid before the end of the fiscal year, April 30, 2017.

10. Operating segments:

Management has organized the Company under one reportable segment: the development and marketing of enterprise-wide distribution software and related services. Substantially all of the Company's property and equipment, goodwill and other intangible assets are located in Canada. The Company's subsidiaries in the U.S. and the U.K. comprise sales and service operations offering implementation and maintenance services only.

Following is a summary of revenue by geographic location in which the Company's customers are located:

	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015
Canada	\$ 5,083	\$ 3,829
United States	10,607	10,945
Other	407	157
	<hr/>	<hr/>
	\$ 16,097	\$ 14,931

11. Subsequent event:

On September 8, 2016, the Company declared a dividend of \$0.03 per share, to be paid on October 7, 2016 to shareholders of record at the close of business on September 23, 2016.

www.tecsys.com

The statements in this report relating to matters that are not historical fact are forward looking statements that are based on management's beliefs and assumptions. Such statements are not guarantees of future performance, and are subject to a number of uncertainties, including but not limited to future economic conditions, the markets that TECSYS Inc. serves, the actions of competitors, major new technological trends and other factors beyond the control of TECSYS Inc., which could cause actual results to differ materially from such statements. Additional information about the Company, including copies of the continuous disclosure materials such as the annual information form, is available through the SEDAR website at <http://www.sedar.com>.

TECSYS Inc.
Investor Relations
1 Place Alexis Nihon,
Suite 800
Montreal, Quebec
Canada H3Z 3B8
Tel.: (800) 922-8649
(514) 866-0001
Fax: (514) 866-1805
E-mail: investor@tecsys.com
www.tecsys.com

Transfer Agent and Registrar
Computershare Investor Services Inc.
1500 University Street
Suite 700
Montreal, Quebec
Canada H3A 3S8
Tel: (514) 982-7555 or 1-800-564-6253
Fax: (514) 982-7635
service@computershare.com

© 2016, TECSYS Inc.
All names, trademarks, products
and services mentioned are
registered or unregistered
trademarks of their respective
owners.
Printed in Canada