MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations, dated March 9, 2017 of Mood Media Corporation ("Mood Media", "Mood" or the "Company") should be read together with the attached audited consolidated financial statements and related notes for the year ended December 31, 2016, the Company's audited consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2015, and the Company's annual information form dated March 30, 2016 (the "AIF"). Additional information related to the Company, including the Company's AIF, can be found on SEDAR at www.sedar.com. Please also refer to the risk factors identified in the Company's AIF. The fiscal year of the Company ends on December 31. The Company's reporting currency is the US dollar and, unless otherwise noted, all amounts (including in the narrative) are in thousands of US dollars except for shares and per-share amounts. Per-share amounts are calculated using the weighted average number of shares outstanding for the period ended December 31, 2016.

This discussion contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements.

As used in this management's discussion and analysis of financial condition and results of operation, the terms the "Company", "we", "us", "our" or other similar terms refer to Mood Media and its consolidated subsidiaries.

The presentation of any information identified as a non-International Financial Reporting Standards ("IFRS") measure throughout this document is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS, and it is presented with the sole purpose of providing readers of this document with relevant information to better assess the company's operating performance.

Forward-Looking Statements

Certain statements in this management's discussion and analysis contains "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this management's discussion and analysis, such statements use such words as "may," "will," "intend," "should," "expect," "expect to," "believe," "plan," "anticipate," "estimate," "predict," "potential," "continue," or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this management's discussion and analysis. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the impact of general market, industry, credit and economic conditions and other risks as described within this document and in the Company's AIF, which can be found at *www.sedar.com*. These forward-looking statements are made as of the date of release of this management's discussion and analysis, and the Company does not assume any obligation to update or revise them to reflect new events or circumstances. In addition, the Company does not provide financial outlooks or future-oriented financial information in this management's discussion and analysis and, accordingly, no forward-looking information or statements should be construed as such.

Overview

Our common shares are listed on the Toronto Stock Exchange (''TSX'') under the trading symbol ''MM''. We are a leading global provider of in-store audio, visual and other forms of media and marketing solutions in North America, Europe and Australia to more than 500,000 commercial locations across a broad range of industries including retail, food retail, car dealerships, financial services and hospitality. We benefit from economies of scope and scale, generating revenue from multiple product and service offerings across more than 40 countries. Our strategy of combining audio, visual and other forms of media has helped our clients enhance their branding, drive impulse purchases of their products and improve the shopping experience for their customers. The breadth and depth of our customizable offerings and the quality of our customer service has helped make us the preferred media and marketing solutions provider to more than 850 North American and international brands. Mood Media's strategy is to combine our media services into a single comprehensive experience solution comprising audio, visual, scent, interactive and similar solutions, to increase penetration of newly developed services, such as visuals, Wi-Fi and mobile, by selling into our large existing client base, and to leverage our leading market positions and solutions portfolio to enhance financial returns.

Our audio solutions emphasize the use of music to create a distinct atmosphere within a commercial environment. By law, the public performance of music in a commercial environment requires specific-use permissions from the relevant copyright owners. Each country has its own legal system and may have specific copyright rules making global and pan-European compliance a complex undertaking. Furthermore, penalties for infringement vary from country to country and can be significant for commercial enterprises that do not comply with the relevant rules. We have worldwide experience and extensive knowledge of the various licensing systems throughout the world. As a music content provider we understand licensing requirements and provide support to our customers to obtain the relevant licenses. We are viewed as an established distribution network by music producers, performance rights organizations and third-party advertisers.

Our visual solutions deliver highly customized content management solutions with a scalable delivery platform to enable retailers to deliver "infotainment", product information and branding messages to their customers at the point-of-purchase. Our visual solutions range from relatively simple applications to large-scale, highly immersive consumer experiences.

Our mobile solutions provide an innovative means for our customers to connect interactively with their consumers via smartphone and other internet-connected devices. Our applications can detect the presence of consumers within the retail environment and deliver customized and specific content, promotions and coupons in order to incentivize purchasing behavior and provide product information. Mood Media's Wi-Fi solution enables retailers to provide broadband connectivity to their customers within the store on a cost-effective basis.

In-store audio, visual and marketing solutions create a communication channel between our clients' brand and their customers at the point-of-purchase. By enhancing the brand experience of our clients' consumers and establishing an emotional connection between our clients and their consumers, these products and services can have an impact on consumer purchasing decisions. We tailor both our media's content and delivery by scheduling specific content to be delivered at a specific time in order to target a specific audience. Our media is broadcast through customizable technology systems, supported by ongoing maintenance and technical support and integrated into our clients' existing IT infrastructure. The tailored content we deliver eliminates the need for our clients to select their own, often repetitive, background media.

In addition to designing and selling a variety of media forms for use in commercial environments, the Company is deploying a series of revenue enhancement measures to appeal to premier brands across multiple geographies as well as to serve local businesses with effective solutions. Our revenue enhancement measures include development of local sales channels, creation of new and compelling technology services and solutions, offering new branded solutions via partnerships with recognized consumer brands, cross selling visual solutions to audio customers, cross-selling flagship visual systems solutions with in-store visual and audio services and expanding into new territories with relatively low penetration of commercial audio and visual solutions.

In the fourth quarter of 2013, the Company began a comprehensive integration program focused on streamlining and simplifying the Company's infrastructure and processes on a global basis with associated benefits to its cost structure. Wave 1 initiatives generated approximately $9 million in annualized savings. Wave 2 and 3 delivered in 2014 nearly $9 million in annualized savings. Additionally, Wave 4 and 5 initiatives delivered in 2015 and 2016 delivered annualized savings of $8 million. The Company's Wave 6 initiatives are projected to deliver annualized savings of an additional $6M.

Sale of residential Latin America music operations and DMX Canada commercial accounts

The Company completed the sale of its residential Latin America music operations on January 10, 2014 and its DMX Canadian commercial account portfolio on June 27, 2014 each to affiliates of Stingray Digital. The gain recognized on these transactions at December 31, 2014 totaled $5,650 which included an estimate of the fair value of contingent consideration to be recorded depending on the outcome of certain future performance criteria. On December 4, 2015, the contingent consideration was finalized, with the final amounts resulting in a total gain of $4,886.

Private Placement of 10% Senior Unsecured Notes by Mood Media Group S.A.

On August 6, 2015, the Company completed a private placement of $50,000 aggregate principal amount MMG Notes by its wholly owned subsidiary Mood Media Group S.A. ("MMG"). MMG is based in Luxembourg and holds Mood Media International's operations. The MMG Notes are guaranteed by substantially all of MMG's subsidiaries and, in addition, the Company has provided a guarantee of up to $10,000.

Investors in the outstanding Unsecured Convertible Debentures were given the option to irrevocably tender such debentures in exchange for an equivalent amount of principal in the MMG Notes. Of the total MMG Note issuance of $50,000, a total of $18,448 was tendered via outstanding Unsecured Convertible Debentures, and the balance of $31,552 was paid in cash. Upon their maturity on October 31, 2015, proceeds of the issuance of the MMG Notes were used to repay the outstanding Unsecured Convertible Debentures. All parties who subscribed to the MMG Notes received 0.434 Mood Media common share purchase warrants (the "MMG Warrants") for each $1.00 of principal value of MMG Notes acquired. A total of 21,700,000 MMG Warrants were issued with an exercise price of CAD$0.80 and a term of 8 years from date of issue.

Sale of French Speaker business

On March 30, 2016, the Company completed the sale of assets related to its speaker business. The $3,708 loss recognized included goodwill and intangibles attributed to the assets sold totaling $210 and $1,659 respectively. The Company agreed to an inventory purchase commitment totaling €2,700 over a period of three years with a minimum purchase of €800 during each year, consistent with past purchase volumes and future expected inventory requirements.

Amendment to Credit Agreement

On November 23, 2016, the Company entered into a First Amendment to the Credit Agreement (the "Amendment"), which amended the 2014 First Lien Credit Facilities to enhance the Company's operating cushion with respect to the interest coverage covenant under the debt agreement. The Amendment resulted in deferred financing costs in the amount of $2,033 reducing the carrying value of the debt. These costs will be accreted over the remaining life of the debt, using the effective interest rate method.

Summary of Quarterly Results

The following table presents a summary of our unaudited operating results on a quarterly basis. The financial information is presented in accordance with IFRS.

Period	Revenue	Loss for the period attributable to owners of the parent	Basic and diluted EPS
Q4 – 2016[8]	$120,354	$(28,931)	$(0.16)
Q3 – 2016[7]	113,915	(7,506)	(0.04)
Q2 – 2016[6]	119,670	(11,921)	(0.06)
Q1 – 2016[5]	111,335	(9,428)	(0.05)
Q4 – 2015[4]	125,034	(41,011)	(0.22)
Q3 – 2015[3]	118,159	(9,858)	(0.05)
Q2 – 2015[2]	117,668	(2,185)	(0.01)
Q1 – 2015[1]	114,255	(26,968)	(0.15)

1. The increase in loss compared to the previous quarter is driven by foreign currency exchange rate fluctuations, mainly on intercompany balances payable by foreign subsidiaries to parent company in US dollars, countered by a decrease in transaction and integration costs within other expenses.
2. The reduction in loss compared to the previous quarter is due to a positive foreign currency exchange rate fluctuation, mainly on intercompany balances payable by foreign subsidiaries to parent company in US dollars as a result of the strengthening of the Euro against the US Dollar versus the prior quarter end exchange rate. Adding to the reduction in loss for the period is the recognition of income tax recoveries in the period.
3. The increase in loss compared to prior quarter is due to the impact of foreign currency exchange rate fluctuations, mainly on intercompany balances payable by foreign subsidiaries to parent company in US dollars, the impact of the loss in fair value of certain financial instruments and management's best estimate for a settlement of a dispute with various counterparties over the interpretation of certain contractual arrangements.
4. The significant loss for the period is due primarily to the goodwill impairment charge.
5. The reduced loss for the period compared to prior quarter is due to the $25,000 goodwill impairment charge included in the prior quarter and a Q1 2016 foreign exchange gain on USD-based debt and intercompany debt held by foreign subsidiaries caused by the strengthening of the Euro spot rate.
6. The increase in loss for the period compared to the prior quarter is due primarily to a Q2 2016 foreign exchange loss on USD-based debt and intercompany debt held by foreign subsidiaries caused by the weakening of the Euro spot rate offset by increased revenue and related gross margin dollar growth and a reduction in other expenses for the quarter.
7. The decrease in the loss for the period compared to the prior quarter is due to (i) a foreign exchange gain on USD-based debt and intercompany debt held by foreign subsidiaries due to foreign currency exchange fluctuations compared to a loss experienced in Q2 of 2016, and (ii) a tax credit for the quarter compared to a tax charge for the prior quarter, the impacts of which (iii) were partially offset by lower gross margin on lower revenues.
8. The increase in the loss for the period compared to the prior quarter is due to (i) a foreign exchange loss on USD-based debt and intercompany debt held by foreign subsidiaries caused by the weakening of the Euro spot rate during Q4 2016, as opposed to a gain in the previous quarter, (ii) a goodwill impairment charge of $3,575 during Q4 2016 and (iii) the recognition of $3,769 in deferred tax liabilities also during Q4 2016.

Selected Financial Information

Mood Media Corporation

CONSOLIDATED STATEMENTS OF LOSS

For the three months and the year ended December 31, 2016
In thousands of US dollars unless otherwise stated

	Three months ended		Year ended		
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Revenue	**$120,354**	**$125,034**	**$465,274**	**$475,116**	**$494,060**
Expenses					
Cost of sales	57,698	62,403	222,396	229,946	227,888
Operating expenses	38,493	38,617	149,685	146,783	163,575
Depreciation and amortization	15,367	16,792	63,585	66,648	72,263
Impairment of goodwill	3,575	25,000	3,575	25,000	-
Share-based compensation	156	396	478	1,264	1,392
Other expenses	3,865	3,793	12,429	10,305	28,229
Foreign exchange loss on financing transactions	13,340	6,102	10,975	20,356	17,097
Finance costs, net	13,680	13,459	57,774	57,216	70,057
Loss for the period before income taxes	**(25,820)**	**(41,528)**	**(55,623)**	**(82,402)**	**(86,441)**
Income tax charge (recovery)	3,076	(540)	2,058	(2,439)	(4,067)
Loss for the period	**(28,896)**	**(40,988)**	**(57,681)**	**(79,963)**	**(82,374)**
Loss attributable to:					
Owners of the parent	(28,931)	(41,011)	(57,786)	(80,022)	(82,442)
Non-controlling interests	35	23	105	59	68
	$(28,896)	**$(40,988)**	**$(57,681)**	**$(79,963)**	**$(82,374)**
Loss per share attributable to shareholders					
Basic and diluted	$(0.16)	$(0.22)	$(0.31)	$(0.44)	$(0.46)

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Total assets	$593,673	$654,516	$740,367
Total non-current liabilities	641,571	645,073	612,430

Operating Results

Three months ended December 31, 2016 compared with the three months ended December 31, 2015

We report our operations in four reportable segments, ‘‘In-Store Media North America’’, “In-Store Media International”, “BIS” and “Other” for the purposes of reconciliation to the Company’s financial statements.

Revenue for the three months ended December 31, 2016 and December 31, 2015 were as follows:

	Three months ended			
	December 31, 2016	**December 31, 2015**	**Variance**	**%Change**
In-Store Media North America	$65,647	$64,903	$744	1.1%
In-Store Media International	26,743	29,392	(2,649)	(9.0)%
BIS	17,465	16,733	732	4.4%
Other	10,499	14,006	(3,507)	(25.0)%
Total Consolidated Group	**$120,354**	**$125,034**	**$(4,680)**	**(3.7)%**

Revenue on a constant dollar basis (a)

	Three months ended			
	December 31, 2016	**December 31, 2015**	**Variance**	**%Change**
In-Store Media North America	$65,647	$64,903	$744	1.1%
In-Store Media International	26,743	27,767	(1,024)	(3.7)%
BIS	17,465	16,377	1,088	6.6%
Other	10,499	14,006	(3,507)	(25.0)%
Total Consolidated Group	**$120,354**	**$123,053**	**$(2,699)**	**(2.2)%**

(a) Revenue on a constant dollar basis is a non-IFRS financial measure. It is calculated by translating the comparative prior period figures denominated in foreign currency at the exchange rate in place in the current period.

Revenue is primarily derived from recurring monthly subscription fees for providing customized and tailored music, visual displays, messaging and other ancillary services through contracts ranging from 2-5 years. Revenue is also derived from equipment, installation and service fees and royalties.

In-Store Media North America revenue increased as compared to the three months ended December 31, 2015. The increase is primarily attributable to an increase of approximately $1,235 in equipment revenues, offset by lower recurring revenues of $478 and installation and service revenues of $59.

In-Store Media International revenue decreased compared to the prior year three months period. On a like for like currency basis and excluding an $825 revenue impact for the sale of the French speaker business, the In-Store Media International revenues for the three months ended December 31, 2016 decreased $199 compared to the three months ended December 31, 2015. This was primarily due to lower installation and service revenues of $687 and recurring revenues of $268, offset by an increase of $570 in equipment revenues and $186 in other revenues.

BIS revenue increased compared to the three months ended December 31, 2015, despite the negative impact of foreign exchange rates as the Euro weakened versus the US Dollar. On a like for like basis, BIS revenues for the three months ended December 31, 2016 increased $1,088 primarily due to an increase in sales activity and completion of projects compared to the same period in the prior year.

The revenue from the Other segment decreased as a result of lower Technomedia revenues related to significantly lower business volumes in their large jobs business compared to the prior year period.

	Three months ended				
	December 31, 2016		**December 31, 2015**		**Change**
Revenue	$120,354	*100.0%*	$125,034	*100.0%*	$(4,680)
Cost of sales	57,698	*47.9%*	62,403	*49.9%*	(4,705)
Operating expenses	38,493	*32.0%*	38,617	*30.9%*	(124)
Depreciation and amortization	15,367	*12.8%*	16,792	*13.4%*	(1,425)
Impairment of goodwill	3,575	*3.0%*	25,000	*20.0%*	(21,425)
Share-based compensation	156	*0.1%*	396	*0.3%*	(240)
Other expenses	3,865	*3.2%*	3,793	*3.0%*	72
Foreign exchange loss on financing transactions	13,340	*11.1%*	6,102	*4.9%*	7,238
Finance costs, net	13,680	*11.4%*	13,459	*10.8%*	221
Loss for the period before income taxes	**(25,820)**	***(21.5)%***	**(41,528)**	***(33.2)%***	**15,708**
Income tax charge (recovery)	3,076	*2.6%*	(540)	*(0.4)%*	3,616
Loss for the period	**(28,896)**	***(24.0)%***	**(40,988)**	***(32.8)%***	**12,092**
Loss attributable to:					
Owners of the parent	(28,931)	*(24.0)%*	(41,011)	*(32.8)%*	12,080
Non-controlling interests	35	*0.0%*	23	*0.0%*	12
	$(28,896)	***(24.0)%***	**$(40,988)**	***(32.8)%***	**$12,092**

Cost of sales as a percentage of revenue decreased by 200 basis points compared to the three months ended December 31, 2015 primarily due to a reduction of installation and service cost of sales of $3,134 and other cost of sales of $2,342, which was partially offset by a reduction of gross margin rate on recurring revenues of 320 bps related to revenue mix.

Operating expenses have remained relatively stable as compared to the three months ended December 31, 2015.

Depreciation and amortization decreased as compared to the three months ended December 31, 2015 primarily due to a smaller average depreciable base for the three months ended December 31, 2016 compared to the same period last year.

Impairment of goodwill was recognized in both 2016 and 2015. The Company recognized an impairment charge in 2016 of $3,575 on goodwill allocated to Technomedia and in 2015 an impairment charge of $25,000 from goodwill allocated to Mood International.

Share-based compensation expense decreased as compared to the three months ended December 31, 2015 due to a smaller expense base being straight-lined over the vesting period when compared to the same period in the prior year.

Other expenses increased as compared to the three months ended December 31, 2015 due to $1,623 higher expenses associated with settlements and resolutions primarily driven by a charge the Company recorded for a settlement of dissension with various counterparties over a certain operational business interpretations largely offset by a reduction in integration costs of $1,139.

Foreign exchange loss on financing transactions increased due to the revaluation of USD-based debt and intercompany debt owed by foreign subsidiaries caused by a greater weakening of the Euro spot rate in the fourth quarter of 2016 as compared to the weakening of the Euro spot rate at the same period in the prior year.

Financing costs, net increased driven by changes in fair value of financial instruments. In the three months ended December 31, 2016 the Company recorded a gain of $820 related to a reduction in the liability associated with the 2014 Interest rate floor compared to a gain of $1,779 in the comparative period, partially offset by lower interest expense.

Income tax for the three months ended December 31, 2016 was a charge of $3,076 compared to a credit of $540 in the comparative period primarily as a result of income tax credits in 2015 from the recognition of deferred tax assets.

Liquidity and Capital Resources

	Three months ended		
	December 31, 2016	December 31, 2015	Change
Total cash provided by (used in):			
Operating activities	$28,966	$32,329	$(3,363)
Investing activities	(6,664)	(10,207)	3,543
Financing activities	(26,005)	(25,221)	(784)
Effect of exchange rates on cash	(620)	(293)	(327)
Decrease in cash equivalents	**$(4,323)**	**$(3,392)**	**$(931)**

The decrease in cash generated from operating activities was driven by the change in the following components:

	Three months ended		
	December 31, 2016	December 31, 2015	Higher / (Lower)
Operating cash flows before working capital adjustments (a)	$20,310	$20,765	$(455)
Working capital reductions (additions)	8,725	11,792	(3,067)
Cash taxes paid	(76)	(279)	203
Interest received	7	51	(44)
Increase (decrease) in cash from operating activities	**$28,966**	**$32,329**	**$(3,363)**

(a) Operating cash flows before working capital adjustments is a non-IFRS financial measure and is calculated by adding back to pre-tax loss: depreciation, amortization, impairment, finance costs and other non-cash charges, essentially all line item amounts on the statement of cash flows within the operating activities section prior to working capital adjustments.

The decrease in cash used in investing activities is primarily due to a $6,599 reduction in recorded capital expenditures in the three months ended December 31, 2016 offset by an increase in proceeds of $2,877 from the disposal of fixed assets in the three months ended December 31, 2015 that did not repeat in the current three month period.

The increase in cash used in financing activities compared to the three months ended December 31, 2015 is primarily due to financing costs paid for the Amendment to the 2014 First Lien Credit Facilities of $2,033 offset by lower interest paid of $806 and the repayment of the Unsecured Convertible Debentures which exceeded the proceeds from the MMG Notes by $266 in the three months ended December 31, 2015 that did not repeat in the current three month period.

Year ended December 31, 2016 compared with the year ended December 31, 2015

Revenue for the year ended December 31, 2016 and December 31, 2015 were as follows:

	Year ended			
	December 31, 2016	**December 31, 2015**	**Variance**	**% Change**
In-Store Media North America	$257,693	$256,858	$835	0.3%
In-Store Media International	110,205	113,589	(3,384)	(3.0)%
BIS	58,241	57,468	773	1.3%
Other	39,135	47,201	(8,066)	(17.1)%
Total Consolidated Group	**$465,274**	**$475,116**	**$(9,842)**	**(2.1)%**

Revenue on a constant dollar basis (a)

	Year ended			
	December 31, 2016	**December 31, 2015**	**Variance**	**% Change**
In-Store Media North America	$257,693	$256,858	$835	0.3%
In-Store Media International	110,205	110,160	45	0.0%
BIS	58,241	57,142	1,099	1.9%
Other	39,135	47,201	(8,066)	(17.1)%
Total Consolidated Group	**$465,274**	**$471,361**	**$(6,087)**	**(1.3)%**

(a) Revenue on a constant dollar basis is a non-IFRS financial measure. It is calculated by translating the comparative prior period figures denominated in foreign currency at the exchange rate in place in the current period.

In-Store Media North America revenue increased as compared to the year ended December 31, 2015. The increase is due to an increase in equipment revenues of $3,597 driven primarily by large job equipment sales offset by decreases in installation and service revenues of $1,781, recurring revenues of $608, and other revenue of $373.

In-Store Media International revenue decreased compared to the year ended December 31, 2015. On a like for like currency basis and excluding $2,579 of revenues related to the French speaker business, the In-Store Media International revenues for the year ended December 31, 2016 increased $2,624 compared to the year ended December 31, 2015 primarily due to an increase in equipment revenues of $4,190 and installation and service revenues of $2,466 reduced by $1,371 in lower recurring revenues and $2,660 in other revenues.

BIS revenue increased compared to the year ended December 31, 2015, despite the negative impact of foreign exchange rates as the Euro weakened versus the US Dollar. On a like for like currency basis, BIS revenues for the year ended December 31, 2016 increased $1,099 primarily due to an increase in sales activity and completion of projects compared to the same period in the prior year.

The revenue from the Other segment decreased as a result of lower Technomedia revenues related to significantly lower business volumes in their large jobs business compared to the prior year period.

	Year ended				
	December 31, 2016		**December 31, 2015**		**Change**
Revenue	$465,274	*100.0%*	$475,116	*100.0%*	$(9,842)
Cost of sales	222,396	*47.8%*	229,946	*48.4%*	(7,550)
Operating expenses	149,685	*32.2%*	146,783	*30.9%*	2,902
Depreciation and amortization	63,585	*13.7%*	66,648	*14.0%*	(3,063)
Impairment of goodwill	3,575	*0.8%*	25,000	*5.3%*	(21,425)
Share-based compensation	478	*0.1%*	1,264	*0.3%*	(786)
Other expenses	12,429	*2.7%*	10,305	*2.2%*	2,124
Foreign exchange loss on financing transactions	10,975	*2.4%*	20,356	*4.3%*	(9,381)
Finance costs, net	57,774	*12.4%*	57,216	*12.0%*	558
Loss for the year before income taxes	**(55,623)**	***(12.0)%***	**(82,402)**	***(17.3)%***	**26,779**
Income tax recovery	2,058	*0.4%*	(2,439)	*(0.5)%*	4,497
Loss for the year	**(57,681)**	***(12.4)%***	**(79,963)**	***(16.8)%***	**22,282**
Loss attributable to:					
Owners of the parent	(57,786)	*(12.4)%*	(80,022)	*(16.8)%*	22,236
Non-controlling interests	105	*0.0%*	59	*0.0%*	46
	$(57,681)	***(12.4)%***	**$(79,963)**	***(16.8)%***	**$22,282**

Cost of sales as a percentage of revenue decreased as compared to the year ended December 31, 2015 by 60 basis points primarily due to improved equipment margins which offset lower gross margin rates on recurring revenues.

Operating expenses increased as compared to the year ended December 31, 2015 in part as a result of the foreign exchange contracts recognized as a reduction of expense of $970 in 2015 that did not repeat in 2016. Excluding the prior year gain on foreign exchange contracts, operating expenses increased $1,932. Elements of expense that contributed to the increase was $1,714 related to the recognition of gains on sale of certain fixed assets in the prior year that did not repeat in the current year and $3,205 in higher paid sales commissions for sales and contract renewals and higher salary expenses for key hires in leadership positions in sales, marketing and legal in North America in 2016. These increases were offset by $1,228 in reduced operating expenses in connection with the sale of assets related to the Company's speaker business in 2016 and reduced expenses of $2,443 primarily related to professional fees.

Depreciation and amortization decreased as compared to the year ended December 31, 2015 primarily due to a smaller average depreciable base for the year ended December 31, 2016 compared to the same period last year.

Impairment of goodwill was recognized in both 2016 and 2015. The Company recognized an impairment charge in 2016 of $3,575 on the goodwill allocated to Technomedia and in 2015 an impairment charge of $25,000 on the goodwill allocated to Mood International.

Share-based compensation expense decreased as compared to the year ended December 31, 2015 due to a smaller expense base being straight-lined over the vesting period when compared to the same period in the prior year.

Other expenses increased as compared to the year ended December 31, 2015 primarily due to a $2,910 higher loss on disposal of assets, derived from a loss of $3,708 for the sale of assets related to the Company's speaker business in 2016 compared to a loss of $798 in 2015 related to the finalization of the residential Latin America music operations and the Company's DMX Canadian commercial account portfolio sales. The $3,708 loss included goodwill and intangibles attributed to the assets sold of $210 and $1,659, respectively. The increases were primarily offset by $946 lower transaction costs driven by a credit of $692 recognized as a reduction of expenses related to the forecasted Technomedia contingent consideration compared to a charge of $625 in the comparative period.

Foreign exchange loss on financing transactions recognized a smaller loss due to revaluation of USD-based debt and intercompany debt owed by foreign subsidiaries caused by proportionately lower weakening of the Euro spot rate in 2016 when compared to the loss in 2015.

Financing costs, net increased mainly due to a gain of $929 related to the change in fair value of the 2014 Interest rate floor, prepayment options and certain forward contracts in the year ended December 31, 2016 compared to a gain of $1,894 in the comparative period. This increase was offset by lower interest expense of $318 related primarily to the non-repeat of some double interest incurred in the August to October 2015 period related to the timing of the October 31, 2015 retirement of the convertible debentures and the issuance of the MMGSA Notes in August, 2015.

Income tax for the year ended December 31, 2016 was a charge of $2,058 compared to a credit of $2,439 in the comparative period primarily as a result of income tax credits in 2015 from the recognition of deferred tax assets.

	December 31, 2016	December 31, 2015	Change
Total assets	$593,673	$654,516	$(60,843)
Total non-current liabilities	641,571	645,073	(3,502)

Total assets decreased as compared to the year ended December 31, 2015 primarily due to an impairment charge to goodwill. In addition, the assets were also reduced due to the scheduled amortization of intangible assets and depreciation on property plant and equipment, lower capital expenditures and the impact of foreign exchange rates on assets denominated in foreign currency, primarily Euro, with the highest impact on goodwill, intangibles, trade and other receivables and lower capital expenditures.

Total non-current liabilities decreased mainly due to lower deferred tax liabilities, which at December 31, 2016 were $22,784 compared to $23,682 at December 31, 2015 and payments on finance leases and the 2014 First Lien Credit Facilities.

Liquidity and Capital Resources

	Year ended		
	December 31, 2016	**December 31, 2015**	**Change**
Total cash provided by (used in):			
Operating activities	$87,104	$85,852	$1,252
Investing activities	(26,650)	(34,401)	7,751
Financing activities	(60,472)	(58,613)	(1,859)
Effect of exchange rates on cash	(330)	(1,085)	755
Decrease (increase) in cash equivalents	**$(348)**	**$(8,247)**	**$7,899**

The increase in cash generated from operating activities was driven by the change in the following components:

	Year ended		
	December 31, 2016	**December 31, 2015**	**Higher / (Lower)**
Operating cash flows before working capital adjustments (a)	$84,470	$88,313	$(3,843)
Working capital reductions (additions)	4,407	(2,624)	7,031
Cash taxes (paid) credited	(1,800)	3	(1,803)
Interest received	27	160	(133)
Increase in cash from operating activities	**$87,104**	**$85,852**	**$1,252**

(a) Operating cash flows before working capital adjustments is a non-IFRS financial measure and is calculated by adding back to pre-tax loss: depreciation, amortization, impairment, finance costs and other non-cash charges, essentially all line item amounts on the statement of cash flows within the operating activities section prior to working capital adjustments.

The decrease in cash used in investing activities is primarily due to an $11,511 reduction in recorded capital expenditures in the year ended December 31, 2016. This year over year decrease in cash used is offset by a decrease in proceeds of (i) $2,136 primarily from the finalization of the Residential Latin America music operations and the Company's DMX Canadian commercial account portfolio sales and (ii) $1,624 mainly from the disposal of certain fixed assets, all events that did not repeat in 2016.

The increase in cash used in financing activities compared to the prior period is due primarily to the non-repeat of the 2015 $6,000 cash inflow from the proceeds of the revolving credit borrowing, offset by the year over year reduction of financing costs paid of $3,635 and the non-repeat of the dividends from associates of $329.

Key Performance Indicators

In the three months ended December 31, 2016, the number of total Company-owned sites increased by 3,275 relative to the prior quarter. The Company's site base increased in both its North America and International business units. Similarly, the Company grew both its number of audio and visual sites relative to the prior quarter in both its North America and International business units.

Monthly churn was 0.8% in the three months ended December 31, 2016 compared with 0.8% in the prior quarter and 0.9% in the comparative quarter of 2015, with Audio churn of 0.8% and Visual churn of 0.7%. Churn in North America decreased to 0.8% in the three months ended December 31, 2016 compared with 1.0% in the three months ended December 31, 2015. In the International business unit churn at 0.8% per month remained stable relative to the prior year's quarter.

For the three months ended December 31, 2016 blended ARPU declined by 3.5% year over year. Excluding the impact of foreign exchange translation on recurring revenues, underlying ARPU declined by 2.3% relative to prior year. In the current quarter, audio ARPU declined by 4.0% relative to prior year and visual ARPU declined by 1.3% relative to prior year.

	Q1 2015	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Q2 2016**	**Q3 2016**	**Q4 2016**
Audio sites	402,690	401,428	398,745	398,773	395,596	393,869	394,881	397,220
Visual sites	12,872	13,050	13,437	13,759	14,095	14,363	15,047	15,983
Total sites	**415,562**	**414,478**	**412,182**	**412,532**	**409,691**	**408,232**	**409,928**	**413,203**
Audio ARPU	$ 41.71	$ 41.70	$ 40.97	$ 41.10	$40.77	$41.30	$40.43	$39.47
Visual ARPU	$ 78.76	$ 81.93	$ 82.26	$ 75.12	$72.10	$79.52	$78.71	$74.11
Blended ARPU	**$ 42.90**	**$ 42.96**	**$ 42.29**	**$ 42.24**	**$41.83**	**$42.63**	**$41.81**	**$40.78**
Audio gross	8,625	10,136		10,947	9,800	11,789	10,022	11,662
Visual gross	1,006	698	829	876	786	973	875	1,273
Total gross	**9,631**	**10,834**	**10,679**	**11,823**	**10,586**	**12,762**	**10,897**	**12,935**
Audio monthly	1.2%	0.9%	1.1%	0.9%	1.1%	1.1%	0.8%	0.8%
Visual monthly	5.2%	1.3%	0.8%	1.6%	1.1%	1.7%	0.4%	0.7%
Total monthly	**1.3%**	**1.0%**	**1.0%**	**0.9%**	**1.1%**	**1.2%**	**0.8%**	**0.8%**

These key performance indicators represent non-IFRS measures that management evaluates and monitors when assessing the performance of the Company. A site is an individual location where a Mood service is provided. ARPU represents the monthly average revenue per site and is calculated by taking total quarterly subscription revenue and dividing it by the average number of sites in the quarter and dividing by three, for each month in the quarter. Churn represents the rate of monthly site disconnects and is calculated by taking the total number of disconnected sites in the quarter divided by the opening balance of sites in the quarter and dividing by, three for each month in the quarter.

Contractual obligations

The following chart outlines the Company's contractual obligations as at December 31, 2016:

Description	Total	Less than one year	Years two and three	Years four and five	Beyond five years
2014 First Lien Credit Facilities	$234,538	$8,350	$226,188	$-	$-
2014 First Lien Credit Facilities interest	37,410	16,157	21,253	-	-
9.25% Senior Unsecured Notes	350,000	-	-	350,000	-
9.25% Senior Unsecured Notes interest	129,500	32,375	64,750	32,375	-
MMG Notes	50,000	-	-	-	50,000
MMG Notes Interest	34,167	5,000	10,000	10,000	9,167
Operating leases	48,253	15,264	19,811	9,063	4,115
Finance leases	2,662	1,092	1,570	-	-
Trade and other payables	96,340	96,340	-	-	-
Total	**$982,870**	**$174,578**	**$343,572**	**$ 401,438**	**$63,282**

Bank debt and Note Issuances

	MMG Notes	2014 First Lien Credit Facilities	9.25% Senior Unsecured Notes
Closing date	August 6, 2015	May 1, 2014	October 19, 2012
Maturity date	August 6, 2023	May 1, 2019	October 15, 2020
Interest rate	10%	7%	9.25%
Effective interest rate	12.99%	7.69%	9.46%

Trade and other payables

Trade and other payables arise in the normal course of business and are to be settled within one year of the end of the reporting period.

Lease commitments

Operating and finance leases are entered into primarily for the rental of premises and vehicles used for business activities.

Capitalization

Total managed capital was as follows:

	December 31, 2016	December 31, 2015
Equity	$(175,425)	$(123,735)
MMG Notes	50,000	50,000
2014 First Lien Credit Facilities	234,538	236,888
Finance leases	2,662	3,413
9.25% Senior Unsecured Notes	350,000	350,000
Total contractual principal of debt	637,200	640,301
Total capital	**$461,775**	**$516,566**

The following table provides additional share information (in thousands of shares) on a fully diluted basis:

	Three months ended		Year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Basic and diluted net loss per share	$(0.16)	$(0.22)	$(0.31)	$(0.44)

The number of our outstanding common shares as at December 31, 2016 was 183,694,082.

	Outstanding as at March 9, 2017
Common shares	183,694
Share options	9,353
Deferred share units	3,343
MMG Warrants	21,700

Management of foreign currency, interest rate, liquidity and credit risk

We are exposed to a variety of financial risks including market risk (including foreign exchange and interest rate risks), liquidity risk and credit risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to evaluate potential adverse effects on the Company's financial performance.

Foreign currency exchange risk

We operate in the US, Canada and internationally. The functional currency of the parent Company is US dollars. Foreign currency exchange risk arises because the amount of the local currency income, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-US denominated financial statements of our subsidiaries may vary on consolidation into US dollars ("translation exposures").

The most significant translation exposure arises from the Euro currency. We are required to revalue the Euro denominated net assets of the European subsidiaries at the end of each period with the foreign currency translation gain or loss recorded in other comprehensive income. The company also has currency exposure to the extent to which its foreign currency denominated revenues and expenses are translated at fluctuating exchange rates. Foreign currency exchange risk exposure as at December 31, 2016 is discussed further below:

	Sensitivity Analysis / Comments
Segment profit[(a)] of Mood International and BIS	A $0.05 change in the USD/Euro exchange rate would impact the three months and year ended December 31, 2016 segment profit by approximately +/- $300 and +/-$1,000, respectively, assuming all other variables remain the same.
USD denominated intercompany loan	A 1% movement in the USD/Euro exchange rate applied to balance outstanding at December 31, 2016 would result in a change to the foreign exchange gain or loss on intercompany financing transactions of approximately +/- $1,600, assuming all other variables remain the same.

(a) Segment profit is a non-IFRS financial measure; a reconciliation of segment profit to loss before income taxes is presented in the Segment information footnote in the consolidated financial statements.

In 2016, a subsidiary of the Company with the functional currency of British Pounds entered into a series of Euro to USD forward contracts with a notional amount equal to the USD interest payments related to the MMG Notes. During the three months ended March 31, 2015, the parent Company entered into a series of Euro and AUD average rate forward contracts as well as into a Euro forward contract. The 2016 and 2015 contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by counterparties. Factors used in the determination of fair value include the spot rate, forward rates, and estimates of volatility, present value factor, strike prices, credit risk of the Company and credit risk of counterparties. Fair value estimates are subjective in nature, often involve uncertainties and the exercise of significant judgment, they are made at a specific point in time using available information about the financial instrument and may not reflect fair value in the future. The estimated fair value amounts may be materially affected by the use of different assumptions or methodologies.

2016 currency contracts

The following Euro to USD forward contracts are reflected as a change in fair value included within finance costs, net. The amount reflected for the three months and year ended December 31, 2016 was a credit of $84 and a charge of $16, respectively.

Forward date	**April 25, 2016**	**October 25, 2016**	**April 25, 2017**	**October 25, 2017**
Reference currency	USD	USD	USD	USD
Notional	$2,500	$2,500	$2,500	$2,500
Forward rate	1.098	1.1033	1.0604	1.0649

2015 currency contracts

The following is a table of the Euro and AUD average rate forward contracts of the Company. The changes in fair value and settled gains were included within operating costs. For the three months and year ended December 31, 2015, the amount reflected in operating costs was a credit of $106 and credit of $970, respectively.

Forward date	**March 31, 2015**		**June 30, 2015**		**December 31, 2015**		**December 31, 2015**	
Reference currency	EUR	AUD	EUR	AUD	EUR	AUD	EUR	AUD
Notional	€3,700	$700	€4,000	$700	€3,800	$700	€5,200	$700
Forward rate	1.1593	0.8002	1.1589	0.7952	1.1598	0.7892	1.1612	0.7822

The following Euro cash remittance forward contract is reflected as a change in fair value included within finance costs, net. The gain reflected for the three and year ended December 31, 2015 was nil and $395, respectively.

Forward date	**April 14, 2015**
Reference currency	EUR
Notional	€4,000
Forward rate	1.1585

Interest rate risk

Our interest rate risk arises on amounts outstanding under the Credit Facilities which bear interest at a floating rate. The 9.25% Unsecured Notes and MMG Notes both carry fixed interest rates. The Credit Facilities carry an interest rate floor which currently exceeds one month LIBOR and is treated for accounting purposes as a non-cash liability which is disclosed within other financial liabilities in the consolidated statement of financial position. The fair value of the interest rate floor is determined by reference to mark to market valuations performed by financial institutions at each reporting date and any changes in fair value are recorded within finance costs within the consolidated statements of loss and comprehensive loss.

	Three months ended		**Year ended**	
(Gain) **loss** ***for the change in fair value***	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
2014 Interest rate floor	$820	$(1,779)	$948	$(1,630)

Liquidity risk

Liquidity risk arises when cash resources become insufficient to meet cash demands. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet Mood's liquidity requirements at any point in time.

As at December 31, 2016, the Company had cash of $16,978 and $8,010 available under the First Lien Revolving Credit Facility. While management believes that the Company has sufficient liquidity in the form of its current cash balances, the cash generating capacity of its businesses, its revolving credit facilities, access to debt markets and ongoing opportunities to divest non-core assets to meet its working capital, debt servicing, capital expenditure and other funding requirements for the forthcoming year, the Company's liquidity position can be negatively impacted by the Company's existing leverage or negative developments related to the Company's other risk factors. If the Company failed to generate or maintain sufficient liquidity, it could cause a material adverse effect to the Company's financial position.

On an ongoing basis management evaluates the sufficiency of its current liquidity, borrowing capacity, and capital structure, including compliance with its relevant debt covenants, to assure its capital structure is optimally poised to meet the needs of its operating plans. The Company monitors the debt and capital markets in an effort to be opportunistic in refinancings of upcoming maturities, to improve the terms of its debt agreements in order to assure sufficient operating cushion in relation to its debt covenants, and to better match terms and pricing to the Company's needs. The Company has implemented significant cash improvement initiatives that it believes will improve its ability to generate enhanced cash flow in the future, including the formation of a senior cash flow working group, implementation of enhanced controls and other key operational improvements. Further, Mood initiated an ongoing program to opportunistically divest non-core assets, commencing with the sale of its Latin American business and DMX Canada accounts in 2014, followed by the sale of its speaker business in France in March 2016.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. We assess the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management also monitors payment performance and the utilization of credit limits of customers.

Critical Accounting Estimates

Described below are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. We based our assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur.

Goodwill and indefinite-lived intangible assets

The Company performs asset impairment assessments for indefinite-lived intangible assets and goodwill on an annual basis or on a more frequent basis when circumstances indicate impairment may have occurred. Under IFRS, the Company originally selected October 1 as the date when it performs its annual impairment analysis. In 2016, the Company decided to change its annual impairment analysis date from October 1 to December 31. As such, the Company performed its impairment analysis on October 1 and December 31 for the change in policy.

Goodwill is allocated to a cash generating unit ("CGU") or group of CGUs for the purposes of impairment testing based on the level at which senior management monitors it, which is not larger than an operating segment. The identification of an operating segment involves judgment and is based on the lowest level at which senior management monitors goodwill.

The testing for impairment of either an intangible asset or goodwill compares the recoverable amount of the asset, CGU or group of CGU's to the carrying amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU or group of CGUs to which it belongs. The recoverable amount calculations use a discounted cash flow model derived from a five year forecast. The recoverable amount is sensitive to the discount rate used for the model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs or groups of CGUs are disclosed and further explained in note 15 of the Company's annual financial statements.

Impairment of long-lived assets

Long-lived assets primarily include property and equipment and intangible assets. An impairment loss is recognized when the carrying value of the CGU, which is defined as a unit that has independent cash inflows to which the asset relates, exceeds the CGU's fair value, which is determined using a discounted cash flow method. The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Company believes that no provision for impairment is required, management must make certain estimates regarding the Company's cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in an impairment loss being charged in future periods.

Property and equipment

The Company has estimated the useful lives of the components of all of its property and equipment based on past experience and industry norms, and is depreciating these assets over their estimated useful lives. Management assesses these estimates at least at each financial year-end and, if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the useful life is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Rental equipment installed at customer premises includes costs directly attributable to the installation process. Judgment is required in determining which costs are considered directly attributable to the installation process and the percentage capitalized is estimated based on work order hours for the year.

Share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in note 20 of the Company's annual financial statements.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingencies

Contingencies, by their nature, are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgment including assessing whether a present obligation exists and providing a reliable estimate of the amount of cash outflow required in settling the obligation. The uncertainty involved with the timing and amount at which a contingency will be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

Fair value measurement of contingent consideration

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration is considered a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Throughout the year, the Company updated the assumptions on the contingent consideration payable to the former owners of Technomedia in note 17 of the Company's annual financial statements.

Inventory obsolescence

The Company's obsolescence provision is determined at each reporting period and the changes recorded in the consolidated statements of loss and comprehensive loss. This calculation requires the use of estimates and forecasts of future sales. Qualitative factors including market presence and trends, strength of customer relationships, as well as other factors are considered when making assumptions with regard to recoverability. A change in any of the significant assumptions or estimates used could result in a material change to the provision.

Income taxes

Tax regulations and legislation and the interpretations thereof in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are recognized to the extent that it is probable that the deductible temporary differences or tax losses will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings and the application of tax laws. To the extent that the assumptions used in the recoverability assessment change, there may be a significant impact on the consolidated financial statements of future periods.

Recently Issued Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

The Company intends to adopt these standards when they become effective.

IFRS 2, *Share-based Payment*

In June 2016, the IASB issued final amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The effective date for this standard is for reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company has completed the review process to assess the impact and application of the aforementioned amendments and has determined it will have no impact on the Company.

IFRS 9, *Financial Instruments: Classification and Measurement*

IFRS 9 as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement*, and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The effective date for this standard is for reporting periods beginning on or after January 1, 2018 with earlier application permitted. The Company will continue to assess any impact on the classification and measurement of the Company's financial assets as well as any impact on the classification and measurement of its financial liabilities.

IFRS 15, *Revenue from Contracts with Customers*

On May 28, 2014, the IASB issued IFRS 15, which outlines a single comprehensive model for entities to use in accounting for revenue from customers. The standard outlines the principles an entity must apply to measure and recognize revenue relating to contracts with customers. The core principle is that an entity will recognize revenue when it transfers promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services. IFRS 15 also significantly expands the current disclosure requirements concerning revenue recognition.

IFRS 15 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company has plans to adopt the new standard on the required effective date using the modified retrospective method and is continuing to review and assess the impact on its current revenue recognition policies and reporting processes.

IFRS 16, *Leases*

On January 13, 2016, the IASB issued IFRS 16, which outlines requirements for lessees to recognize assets and liabilities for most leases. Lessees are required to recognize the lease liability for the obligations to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Lease liability is measured at the present value of lease payments to be made over the term of the lease. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for prepayments, direct costs and incentives received.

The new standard will be effective for annual reporting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The Company has not yet determined the impact on its current lease recognition policies.

Disclosure Controls and Internal Controls over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design of the Company's Disclosure Controls and Procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")). The CEO and CFO are also responsible for the design of the Company's Internal Controls over Financial Reporting (as defined by NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have designed, or have caused to be designed, disclosure controls and procedures and internal controls over financial reporting. These controls were evaluated using the framework established in "Internal Control – Integrated Framework" (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework) and it has been determined that their design and operation provide reasonable assurance as to their adequacy and effectiveness as at December 31, 2016.

In designing such controls, it should be recognized that due to inherent limitations in any control system, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Risk Factors

If the Company is unable to generate demand for managed media services, its financial results may suffer

The Company's current business plan contemplates deriving revenue from customers that value professional media services that are available for sale in-store or broadcast in-store. The Company's ability to generate such revenues depends on the market demand for its media content and its ability to provide a robust service that delivers a return on investment.

The Company's customers may choose to terminate their relationship with the Company or reduce their spending on the Company's services, which could have a material adverse effect on its financial condition and results of operations. The Company depends on a large portion of its revenues being derived from the continued spending by its clients on in-store media services. The Company's top clients for such services typically have lengthy tenures. However, should clients decide to stop using or to reduce their expenditures on the Company's in-store media or decide to terminate their agreements with the Company and use one of its competitors, the Company would lose subscription income, which may have an adverse effect on its financial position.

The Company faces intense competition from its competitors that could negatively affect its results of operations

The Company has different competitors in its local geographies but very few that operate across international markets. Some of these local competitors offer services at a lower price than what the Company offers in order to promote their services and gain market share. If these competitors are able to leverage such price advantages, it could harm the Company's ability to compete effectively in the marketplace. Furthermore, there is a threat of new entrants to the competitive landscape from traditional advertisers, media providers as well as start-up companies. The growth of social media could facilitate other forms of new entries that will compete with the Company.

The Company also competes with companies that are not principally focused on providing business music services. Such competitors include Sirius XM Satellite Radio, webcasters such as Spotify, Apple Music, Amazon Prime Music and Pandora, traditional radio broadcasters that encourage workplace listening, video services that provide business establishments with music videos or television programming, and performing rights societies that license business establishments to play sources such as streaming music, CDs, MP3 files and satellite, terrestrial and internet radio.

The Company competes on the basis of service, the quality and variety of its music programs, the ability to provide copyright licensing, and to a lesser extent, price. Management believes that the Company can compete effectively due to the breadth of its in-store media offerings. While management believes that the Company competes effectively, the Company's competitors are continually seeking new ways to expand their established client bases and revenue streams. As a result, competition may negatively impact the Company's ability to attract new clients and retain existing clients.

The Company's success will depend, in part, on its ability to develop and sell new products and services

The Company's success depends in part on the ability of its personnel to develop leading-edge media products and services and the ability to cross-sell audio, visual, mobile, social and scent marketing to existing clients. The Company's business and operating results will be harmed if it fails to cross-sell its services and or fails to develop products and services that achieve widespread market acceptance or that fail to generate significant revenues or gross profits to offset development and operating costs. The Company may not successfully identify, develop and market new products and service opportunities in a timely manner. The Company also may not be able to add new content or services as quickly or as efficiently as its competitors, or at all. If the Company introduces new products and services, it may not attain broad market acceptance or contribute meaningfully to its revenues or profitability. Competitive or technological developments may require the Company to make substantial, unanticipated investments in new products and technologies, and the Company may not have sufficient resources to make these investments.

The Company's success will depend, in part, on its ability to attract and retain human capital

Although the Company has been successful in recruiting and retaining qualified employees to date, there can be no assurances that it will continue to attract and retain the human capital needed for its business. Competition for human capital remains robust, and meeting the salary expectations of recruits can be challenging. The Company's ability to offer meaningful wage increases and long term incentives is currently constrained and could adversely impact both recruiting and retention efforts.

The Company's IT infrastructure can be challenged by Mood's unique operating requirements and evolving business processes

Following the implementation of the Company's ERP system in North America, the Company continues to update and refine its information technology systems throughout the organization. The implementation of information technology solutions involves process changes which carry the risk of business disruption, failure to achieve expected business benefits and ineffective design and operation of the Company's internal control over financial reporting. Any disruption to these systems or the failure of these systems to operate as expected would, depending on the magnitude of the problem, adversely impact the Company's results of operation by disrupting the Company's ability to effectively monitor and control operations.

The Company's use of open source and third party software could impose unanticipated conditions or restrictions on its ability to commercialize its solutions

While the Company has developed its own proprietary software and hardware for the delivery of its media solutions, it may be restricted under existing or future agreements from utilizing certain licensed technology in all of the jurisdictions and/or industry sectors in which it operates. Failure to comply with such restrictions may leave the Company open to proceedings by third parties and such restrictions may, if alternative technology is not available, affect the Company's ability to deliver services in such jurisdictions, thereby resulting in an adverse effect on the Company's financial position.

The Company's suppliers may choose to terminate their relationship with the Company, which could have a material adverse effect on the Company's financial condition and results of operations

The Company has licensing arrangements with suppliers of satellite services which are used in the delivery of content to its customers. If such licensing arrangements were terminated and alternative arrangements were not available, this would affect the Company's ability to deliver services resulting in a material adverse effect on its financial position.

The Company depends upon suppliers for the manufacture of its proprietary media players, and the termination of its arrangements with these suppliers could materially affect its business

The Company relies on suppliers to manufacture its proprietary media players. In the event these agreements are terminated, management believes that they will be able to find alternative suppliers. If the Company is unable to obtain alternative suppliers on a timely basis, or at all, or if the Company experiences significant delays in supplier shipments, the Company may be forced to suspend or cancel delivery of products and services to new accounts which may have a material adverse effect upon its business. If the Company is unable to obtain an adequate supply of components meeting the Company's standards of reliability, accuracy and performance, the Company may be materially and adversely affected.

Failure to continue to generate sufficient cash revenues could materially adversely affect Mood's business

The Company's ability to be profitable and to have positive cash flow is dependent upon its ability to maintain and locate new customers who will purchase the Company's products and use its services, and its ability to continue to generate sufficient cash revenues. The Company presently generates the majority of its revenue in the United States and Europe, and its customers can be affected by economic difficulties. The Company's revenues could also be affected by bankruptcies or rationalization of a portion of its existing client base. A material reduction in revenue would negatively impact its financial position.

If the Company's revenue grows more slowly than anticipated, or if its operating expenses are higher than expected, the Company may not be able to sustain or increase profitability, in which case the Company's financial condition may suffer and its value could decline. Failure to continue to generate sufficient cash revenues could also cause the Company to go out of business.

If the Company is unable to access additional equity or debt financing at a reasonable cost, it could affect its performance

Given the sensitivity of capital markets worldwide, there is a risk that the Company may not be able to obtain additional equity or debt financing that it may require for capital deployment or to refinance its debt when it is due. If the realization of various risk factors results in poor financial performance, capital markets might be more difficult to access or might be completely closed to the Company for debt and equity financing, and, as a result, the Company could go out of business.

The Company is highly leveraged and is reliant on maintaining its debt facilities

The Company has debt and owes money to creditors including banks and holders of certain notes. Such debt may be secured against the Company's assets or guaranteed by certain of the Company's subsidiaries and is subject to certain covenants being met. These covenants could reduce the Company's flexibility in conducting its operations and may create a risk of default on its debt if the Company cannot satisfy or continue to satisfy these covenants. Should the Company fail to satisfy or continue to satisfy its covenants and if its debt is accelerated or required to be redeemed, the Company will need to find new sources of financing or otherwise cede ownership of some or all of its assets which may have a material adverse effect on the business and financial position of the Company. A portion of the Company's credit facilities bear interest at floating interest rates and, therefore, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Company's control and there can be no assurance that interest rates will not have a material adverse effect on the Company's financial performance. The Company may also issue Common Shares to refinance some of its indebtedness. Issuances of a substantial number of additional Common Shares may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Common Share.

Liquidity risk

Liquidity risk arises when cash resources become insufficient to meet cash demands. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet the Company's liquidity requirements at any point in time.

While management believes that the Company has sufficient liquidity in the form of its current cash balances, the cash generating capacity of its businesses, its revolving credit facilities, access to debt markets and ongoing opportunities to divest non-core assets to meet its working capital, debt servicing, capital expenditure and other funding requirements for the forthcoming year, the Company's liquidity position can be negatively impacted by the Company's existing leverage or negative developments related to the Company's other risk factors. If the Company fails to generate or maintain sufficient liquidity, it could cause a material adverse effect on the Company's financial position and the Company could go out of business.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers with outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets.

Integration risks

Failure to properly integrate any acquisitions made by the Company will leave the Company less able to operate as a consolidated whole and may lead to depressed revenue and margin performance. Integration of assets requires dedication and substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in loss of key employees and the disruption of the ongoing business, customer and employee relationships that may adversely affect the Company's ability to achieve the anticipated benefits of the acquisitions. Furthermore, the operating results and financial condition of the Company could be materially adversely impacted by the focus on any integration.

Foreign currency exchange risk

The Company operates in the United States, Canada and internationally. The functional currency of the Company is US Dollars and a significant number of its transactions are recorded in US Dollars and Euros. Foreign currency exchange risk arises because the amount of the local currency income, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-US denominated financial statements of the Company's subsidiaries may vary on consolidation into US Dollars ("translation exposures").

The most significant translation exposure arises from the Euro currency. The Company is required to revalue the Euro denominated net assets of the European subsidiaries at the end of each period with the foreign currency translation gain or loss recorded in other comprehensive income. The Company also has currency exposure to the extent to which its foreign currency denominated revenues and expenses are translated at fluctuating exchange rates. This affects reported results in the Company's US Dollar denominated consolidated statements of loss and comprehensive loss, its consolidated statements of cash flows, as well as its calculation of compliance with various covenants which incorporate the operating results of Mood's foreign subsidiaries into period covenant calculations.

The Company is taxable on its worldwide income both in Canada and the United States, which could, in certain circumstances, have a material adverse effect on the Company

The Company is a resident in Canada for purposes of the Income Tax Act (Canada) and management believes that it will continue to be treated as a domestic corporation in the United States under the U.S. Internal Revenue Code 1986, as amended. As a result, the Company (but not its subsidiaries) is generally taxable on its worldwide income in both Canada and the United States (subject to the availability of any tax credits and deductions in either or both jurisdictions in respect of foreign taxes paid by the Company). The Company's status of being taxable on its worldwide income both in Canada and the United States could, in certain circumstances, have a material adverse effect on the Company and its financial position. As a result of the Company being resident in both Canada and the United States, withholding taxes of both Canada and the United States will be relevant to the Company's security holders and could, in certain circumstances, result in double taxation to certain investors and other consequences.

The Company does not expect to pay dividends and there are potential adverse tax consequences from the payment of dividends on the Common Shares

The Company has not paid any cash dividends with respect to its Common Shares, and it is unlikely that it will pay any dividends on the Common Shares in the foreseeable future. However, dividends received by holders of Common Shares could be subject to applicable withholding taxes and the Company recommends that such holders of Common Shares seek the appropriate professional advice in this regard.

The Company may not have the financial or technological resources to adapt to changes in available technology and its clients' preferences, which may have a negative effect on the Company's revenue and financial position

The Company's product and service offerings compete in a market characterized by rapidly changing technologies, frequent innovations and evolving industry standards. There are numerous methods by which existing and future competitors can deliver programming, including various forms of recorded media, direct broadcast satellite services, wireless cable, fiber optic cable, digital compression over existing telephone lines, advanced television broadcast channels, digital audio radio service and the internet. Competitors may use different forms of delivery for the services that the Company offers, and clients may prefer these alternative delivery methods. The Company may not have the financial or technological resources to adapt to changes in available technology and its clients' preferences, which may have a negative effect on the Company's revenue and financial position.

The Company cannot provide assurance that the Company will be able to use, or compete effectively with competitors that adopt, new delivery methods and technologies, or keep up its pace with discoveries or improvements in the communications, media and entertainment industries. The Company also cannot provide assurance that the technology it currently relies upon will not become obsolete.

The Company pays royalties to license music rights and may be materially adversely affected if such royalties are increased

The Company pays performance royalties to songwriters and publishers through contracts negotiated with performing rights societies such as The American Society of Composers Authors and Publishers and Broadcast Music, Inc., and publishing or mechanical royalties to publishers and collectives that represent their interests, such as The Harry Fox Agency - a collective that represents publishers and collects royalties on their behalf. If performance or mechanical royalty rates for music are increased, there can be no assurance that the Company will be able to pass through such increased rates to its customers. As a result, Mood's results of operations and financial condition may be materially adversely affected.

Mood also secures rights to music directly from songwriters. There is no assurance that it will be able to secure such rights, licenses and content in the future on commercially reasonable terms, if at all. Limitations on the availability of certain musical works may result in the discontinuance of certain programs, and as a result, may lead to increased client churn.

The market for acquiring rights from content owners is competitive. The Company faces competition in its pursuit to acquire additional content, which may reduce the amount of music content that it is able to acquire or license and may lead to higher acquisition prices. The Company's competitors may, from time to time, offer better terms of acquisition to content owners. Increased competition for the acquisition of rights to music recordings may result in a reduction in operating margins and may reduce the Company's ability to distinguish itself from its competitors by virtue of its music library.

In the event of a material change in the commercial landscapes related to public performance, mechanical rights and/or label rights, including the introduction of new rights organizations, there is no assurance that Mood will be able to secure or modify such rights, licenses and content in the future on commercially reasonable terms, if at all. Such material change may result in increased costs or reduced access to content, which may also result in a material adverse effect on Mood's results of operations and financial condition. Further, the Company's results may be adversely affected if there is reform in the United States or European copyright laws or music industry practices.

Costly and protracted litigation may be necessary to defend usage of intellectual property

The Company may become subject to legal proceedings, claims and audits in relation to its business. In particular, while management believes that it has the rights to distribute the musical works and sound recordings used in connection with the Company's business, it may be subject to copyright infringement lawsuits for selling, performing or distributing musical works and sound recordings if a copyright owner takes the position that it does not have the rights to do so. Alternatively, the Company may be subject to audits or other claims for unpaid or underpaid royalties. Results of audits and legal proceedings cannot be predicted with certainty. Regardless of the Company's merits, defense, litigation, arbitration and/or mediation of such claims may be both time-consuming and disruptive to its operations and cause significant expense and diversion of management attention.

If the current owners with which the Company contracts do not have legal title to the digital rights they grant the Company, the Company's business may be materially adversely affected

The Company's acquisition, distribution and license agreements with content owners contain representations, warranties and indemnities with respect to the rights granted to them. If the Company were to acquire and sell, perform or distribute musical works and sound recordings from a person or entity that did not actually own such rights and the Company was unable to enforce on the representations, warranties and indemnities made by such person, the Company's business and financial position may be materially adversely affected.

The Company must be capable of responding to an evolving music industry

The Company sells digital music on a subscription basis based on the quality and quantity of its music selections, its ability to efficiently distribute Mood's content, its ability to provide copyright compliant solutions, its ability to meet the branding requirements of the Company's customers and in the context of the pricing of the Company's competitors in the industry. The Company has limited ability to influence the pricing models of the commercial music industry. There is no assurance that publishers, record labels or other rights holders will not attempt to change the pricing structure in the future that could result in lower pricing or tiered pricing that could reduce the amount of revenue the Company receives or result in higher costs to the Company that it may not be able to pass through to its customers. In addition, consumer streaming companies offer substantial music libraries and features to retail consumers and could conceivably seek to monetize their brands by offering copyright compliant music to commercial enterprises. The rising ubiquity of IP connectivity and improvements in streaming technologies also presents the risk that new competition could arise within the Company's industry thereby altering the competitive landscape and presenting risks to the Company's pricing.

Piracy is likely to continue to negatively impact the potential revenue of the Company

The music industry continues to be subject to unauthorized distribution and/or copying of content without an economic return to any parties in the industry. Global piracy is a significant threat to the entertainment industry generally and to the Company. Unauthorized copies and piracy have contributed to the decrease in the volume of legitimate sales of music and video content and services and have put pressure on the price of products sold through legitimate sales channels. This may result in a reduction in the Company's revenue.

Possible infringement by third parties of intellectual property rights could have a material adverse effect on the Company's business, financial condition and results of operations

The Company distributes music content to business music consumers via proprietary media players. The Company cannot be certain that the steps it has taken to protect its intellectual property rights will be adequate or that third parties will not infringe or misappropriate its proprietary rights. To protect the Company's proprietary rights, the Company depends on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties and protective contractual provisions. These efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology. These efforts may also not prevent the development and design by others of products or technologies similar to, competitive with or superior to those developed by the Company. Any of these results could reduce the value of the Company's intellectual property. In addition, any infringement or misappropriation by third parties could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be liable if third parties misappropriate its users' and customers' personal information

Third parties may be able to hack into or otherwise compromise the Company's network security or otherwise misappropriate its users' personal information or credit card information. If the Company's network security is compromised, it could be subject to liability arising from claims related to, among other things, unauthorized purchases with credit card information, impersonation or other similar fraud claims or other misuse of personal information, such as claims for unauthorized marketing purposes. In such circumstances, the Company also could be liable for failing to provide timely notice of a data security breach affecting certain types of personal information in accordance with the growing number of notification statutes. Consumer protection privacy regulations could impair the Company's ability to obtain information about its users, which could result in decreased advertising revenues.

The Company's network also uses "cookies" to track user behavior and preferences. A cookie is information keyed to a specific server, file pathway or directory location that is stored on a user's hard drive or browser, possibly without the user's knowledge, but is generally removable by the user. The Company uses information gathered from cookies to tailor content to users of its network and such information may also be provided to advertisers on an aggregate basis. In addition, advertisers may themselves use cookies to track user behavior and preferences. A number of internet commentators, advocates and governmental bodies in the United States and other countries have urged the passage of laws directly or indirectly limiting or abolishing the use of cookies. Other tracking technologies, such as so-called "pixel tags" or "clear GIFs", are also coming under increasing scrutiny by legislators, regulators and consumers, imposing liability risks on the Company's business. In addition, legal restrictions on cookies, pixel tags and other tracking technologies may make it more difficult for the Company to tailor content to its users, making the Company's network less attractive to users. Similarly, the unavailability of cookies, pixel tags and other tracking technologies may restrict the use of targeted advertising, making the Company's network less attractive to advertisers and causing the Company to lose significant advertising revenues.

Government regulation of the internet and e-commerce is evolving and unfavorable changes could harm the Company's business

The Company is subject to general business regulations and laws, as well as regulations and laws specifically governing the internet and e-commerce. Existing and future laws and regulations may impede the growth of the internet or online services. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, libel, and personal privacy apply to the internet and e-commerce. Unfavorable regulations and laws could diminish the demand for the Company's products and services and increase its cost of doing business.

The locations of the Company's users expose it to foreign privacy and data security laws and may increase the Company's liability, subject it to non-uniform standards and require it to modify its practices

The Company's users are located in the United States and around the world. As a result, the Company collects and processes the personal data of individuals who live in many different countries. Privacy regulators in certain of those countries have publicly stated that foreign entities (including entities based in the United States) may render themselves subject to those countries' privacy laws and the jurisdiction of such regulators by collecting or processing the personal data of those countries' residents, even if such entities have no physical or legal presence there. Consequently, the Company may be obligated to comply with the privacy and data security laws of certain foreign countries.

The Company's exposure to Canadian, European and other foreign countries' privacy and data security laws impacts the Company's ability to collect and use personal data, and increases its legal compliance costs and may expose the Company to liability. As such laws proliferate, there may be uncertainty regarding their application or interpretation, which consequently increases the Company's potential liability. Even if a claim of non-compliance against the Company does not ultimately result in liability, investigating or responding to a claim may present a significant cost. Future legislation may also require changes in the Company's data collection practices which may be expensive to implement.

Litigation Risks

The Company is currently defending itself against a number of legal claims. While the Company believes these claims to be without merit, and is vigorously defending itself, it cannot guarantee that it will be successful or that it will reach commercially reasonable settlement terms. A negative judgment or the costs of a protracted defense could materially adversely affect the Company's earnings.