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 May 12, 2015 of Mood Media Corporation ("Mood Media", "Mood" or the "Company") should be read together with the attached unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2015, the unaudited interim condensed consolidated financial statements and the related notes for the three months ended March 31, 2014, and the Company's annual information form (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 March 31, 2015.

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.

Overview

We are a leading global provider of in-store audio, visual and scent media and marketing solutions in North America and Europe to more than 500,000 commercial locations across a broad range of industries including retail, food retail, 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 and interactive 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 sale. Our visual solutions range from relatively simple applications to large-scale highly immersive consumer experiences. The Company's 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 incent purchasing behavior and to 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 employing a strategy of deploying a series of revenue enhancement measures and integrating the businesses it has acquired into a cohesive unit that can serve premier brands across multiple geographies, as well as, 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 geographies with relatively low penetration of commercial audio and visual solutions. In the fourth quarter 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 savings initiatives that were delivered in 2014 totaled approximately $7 million in annualized year-over-year savings and approximately $9 million in annualized savings versus 2014 budget. More than $5 million in annualized savings is expected from 2015 Wave 4 initiatives.

Our common shares are listed on the Toronto Stock Exchange (''TSX'') under the trading symbol ''MM''. Prior to March 2, 2015, our common shares were also listed on the AIM Market of the London Stock Exchange. We announced our intention to de-list our shares from the AIM market on January 30, 2015; our admission to the AIM exchange was cancelled effective March 2, 2015 and our last trading day was Feb. 27, 2015. Our 10% convertible unsecured subordinated debentures are listed on the TSX under the trading symbol ''MM.DB.U.''.

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. The gain recognized on each transaction was $3,880 and $1,770, respectively. The final gain calculation includes an estimate of the fair value of consideration to be recorded depending on the outcome of certain future performance criteria. The Company also believes the sales further advance its strategy to simplify its portfolio, integrate and streamline its operations.

Refinancing of 2011 First Lien Credit Facilities

On May 1, 2014, the Company refinanced its credit facilities with Credit Suisse, as agent. The new facilities consist of a $15,000 5-year Senior Secured Revolving Credit Facility and a $235,000 Senior Secured 5-year Term Loan (collectively, the 2014 First Lien Credit Facilities). The new facilities have more favorable financial covenants than the 2011 First Lien Credit Facility as well as provisions which permit the Company to use net asset sales proceeds, within defined limits, to repay its Senior Unsecured Notes or its Subordinated Convertible Debentures. In connection with the refinancing, the Company extinguished the liability under the 2011 First Lien Credit Facilities and recognized a loss on extinguishment of $13,512 related to the write-off of deferred financing expenses and other unamortized costs related to the 2011 First Lien Credit Facilities and the fees and costs related to the 2014 First Lien Credit Facilities.

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 International Financial Reporting Standards ("IFRS"). The quarterly results have been prepared to show the results for Mood Entertainment classified as a discontinued operation.

	Revenue	(Loss) income for the period attributable to owners of the parent			Basic and diluted EPS	
Period	Continuing operations	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations
Q1 - 2015[7]	$114,255	$(26,968)	$-	$(26,968)	$(0.15)	$-
Q4 – 2014[6]	127,052	(22,265)	-	(22,265)	(0.12)	-
Q3 – 2014[5]	124,137	(20,004)	-	(20,004)	(0.11)	-
Q2 – 2014[4]	119,881	(32,670)	-	(32,670)	(0.18)	-
Q1 – 2014[3]	122,990	(7,503)	-	(7,503)	(0.04)	-
Q4 – 2013	132,253	(12,608)	68	(12,540)	(0.07)	-
Q3 – 2013[2]	125,662	(85,944)	(1,751)	(87,695)	(0.50)	(0.01)
Q2 – 2013[1]	126,268	(9,492)	(10,984)	(20,476)	(0.05)	(0.07)

1. The significant loss for the period is due to the recognition of the loss on sale of the discontinued operation.
2. The significant loss for the period is due to the impairment of goodwill in the period.
3. The reduction in loss is primarily attributable to the gain on sale of the residential Latin American music operations in addition to the Company realizing some of the effects of Wave 1 cost reduction efforts implemented at the end of 2013.
4. The increase in loss for the period is primarily attributable to the loss on extinguishment of the 2011 First Lien Credit Facilities, the fees and costs associated with the 2014 First Lien Credit Facilities required to be recognized as current period expense, and the negotiated and finalized settlements including other liabilities and legal matters related to DMX and Muzak.
5. The decrease in the loss vs the prior quarter is due to prior quarter's recognition of the loss on extinguishment of the 2011 First Lien Credit Facility offset by fluctuating foreign exchange rates, primarily the weakening of the Euro on certain foreign subsidiaries' intercompany loans denominated in US dollars rather than their functional currencies.
6. The increase in loss vs the prior quarter is a result of the recognition of the amended Technomedia contingent consideration earn-out related to the amendment of the securities purchase agreement and a reduced tax credit in the current quarter, offset by higher equipment revenues in the current period.
7. 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 restructuring costs within other expenses.

Selected Financial Information

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF LOSS
Unaudited

In thousands of US dollars, unless otherwise stated

	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenue	**$114,255**	**$122,990**
Expenses		
Cost of sales	54,244	57,424
Operating expenses	35,891	42,216
Depreciation and amortization	16,749	18,514
Share-based compensation	216	816
Other expenses (income)	897	(635)
Foreign exchange loss (gain) on financing transactions	19,003	(1,006)
Finance costs, net	14,080	13,726
Loss for the period before income taxes	**(26,825)**	**(8,065)**
Income tax charge (credit)	146	(569)
Loss for the period	**(26,971)**	**(7,496)**
Net loss attributable to:		
Owners of the parent	(26,968)	(7,503)
Non-controlling interests	(3)	7
	$(26,971)	**$(7,496)**
Net loss per share attributable to shareholders		
Basic and diluted	$(0.15)	$(0.04)
Weighted average number of shares outstanding – basic and diluted	**180,099**	**171,749**

	March 31, 2015	December 31, 2014
Total assets	$715,222	$740,367
Total non-current liabilities	607,815	612,430

Operating Results

Three months ended March 31, 2015 compared with the three months ended March 31, 2014

Revenue

We report our continuing 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 from continuing operations for the three months ended March 31, 2015 and March 31, 2014 were as follows:

	3 months ended March 31, 2015	3 months ended March 31, 2014	Variance	% Change
In-Store Media North America	$65,196	$66,772	(1,576)	(2.4)%
In-Store Media International	27,931	30,499	(2,568)	(8.4)%
BIS	13,058	17,250	(4,192)	(24.3)%
Other	8,070	8,469	(399)	(4.7)%
Total Consolidated Group	**$114,255**	**$122,990**	**$(8,735)**	**(7.1)%**

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 and installation fees and royalties.

In-store Media North America revenue decreased by $1,576 for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The decrease is attributable to a decrease in revenues of $1,100 for the sale of commercial accounts related to a Canadian portfolio sold on June 27, 2014 that are no longer included in our consolidated revenue numbers for the three months ended March 31, 2015.

In-Store Media International revenue decreased by $2,568 for the three months ended March 31, 2015 compared to the three months three months ended March 31, 2014, primarily driven by the impact of foreign exchange rates as the Euro has weakened versus the US dollar. On a like for like currency basis, the In-Store Media International revenues for the three months ended March 31, 2015 have increased $2,818 primarily due to an increase in equipment and installation revenues.

BIS revenue decreased by $4,192 for the three months ended March 31, 2015 compared to the three months March 31, 2014, also primarily due to the impact of foreign exchange rates as the Euro has weakened versus the US dollar. On a like for like currency basis, BIS revenues for the three months ended March 31, 2015 have decreased $1,147 primarily due to a change in the timing of projects compared to the prior year.

The revenue from other segments decreased by $399 due to delays in several Technomedia's large projects.

Cost of sales

Cost of sales were $54,244 for the three months ended March 31, 2015, a decrease of $3,180 compared to $57,424 for the three months ended March 31, 2014. Cost of sales as a percentage of revenue for the three months ended March 31, 2015 was 47.5%, compared with 46.7% for the three months ended March 31, 2014. The increase of 80 basis points in cost of sales as a percentage of revenue is due to a reduction of revenue mix attributable to recurring revenues, which have a higher gross margin than our overall In-Store Media business.

Operating expenses

Operating expenses were $35,891 for the three months ended March 31, 2015, a decrease of $6,325 compared with $42,216 for the three months ended March 31, 2014. The decrease is primarily the result of the impact of foreign currency exchange on its international operating expenses (reduction of $3,795), the recognition of a gain on foreign exchange contracts (recognized as an expense reduction of $1,285) and the Company realizing the effects of the Wave 2 and 3 cost reduction efforts implemented in June and December 2014, respectively. Wave 2 and 3 savings initiatives that were implemented in 2014 totaled approximately $7 million in annualized year-over-year savings and approximately $9 million in annualized savings versus 2014 budget. Wave 4 saving initiatives are being implemented in 2015 and are expected to deliver more than $5 million in annualized savings.

Depreciation and amortization

Depreciation and amortization was $16,749 for the three months ended March 31, 2015, a decrease of $1,765, compared with $18,514 for the three months ended March 31, 2014. The decrease is primarily due to a smaller depreciable base for the three months ended March 31, 2015 compared to the same time last year and the impact in the change in useful lives on depreciable assets, which resulted in lower depreciation for the three months ended March 31, 2015 versus the comparative period.

Share-based compensation

Share-based compensation expense was $216 for the three months ended March 31, 2015, a decrease of $600 compared with $816 for the three months ended March 31, 2014. The decrease in expense is due to share forfeitures and cancellations throughout 2014 that would result in smaller expense base being straight-lined over the vesting period when compared to the same period in the prior year. Additionally in the prior year comparative, the company recognized an additional expense pursuant to a severance agreement.

Other expenses (income)

Other expenses were $897 for the three months ended March 31, 2015 compared to an income of $635 for the three months ended March 31, 2014. The difference is driven by the sale of Latin America music operations in the comparative period which resulted in a gain of $3,541. Without the prior period gain on sale the Q1 2014 Other expenses were $2,906 which compares to $897 for the current three month period. The reduction versus Q1 2014 is due to a reduction in the current period of transaction costs and restructuring and integration activities.

Financing costs, net

Financing costs, net were $14,080 for the three months ended March 31, 2015 compared with $13,726 for the three months ended March 31, 2014. The increase in costs of $354 in the three month period ended March 31, 2015 is primarily due to lower gain as a result of the change in fair value of financial instruments in the current period which resulted in a credit of $56 in the three month period compared to a credit of $1,041 in the comparative period. This movement is partially offset by lower amortization costs of financial instruments in the current period.

Income tax

There was an income tax charge of $146 for the three months ended March 31, 2015 compared to a tax credit of $569 for the three months ended March 31, 2014. The change has arisen primarily as a result of recognizing more deferred tax assets in the prior year three months ended March 31, 2014 compared to the current period.

Non-controlling interest

A credit of $3 representing the element of profit of subsidiaries where the Company does not own 100% of the share capital has been taken in the three months ended March 31, 2015 compared to a charge of $7 in the three months ended March 31, 2014.

Total assets

Total assets were $715,222 as at March 31, 2015 compared to $740,367 as at December 31, 2014. The decrease of $25,145 is largely due to the scheduled amortization of intangible assets and depreciation on property plant and equipment as well as the impact of foreign exchange rates on goodwill and intangible assets denominated in foreign currency, primarily in Euro.

Non-current liabilities

Long term liabilities were $607,815 as at March 31, 2015 compared to $612,430 as at December 31, 2014. The decrease of $4,615 is largely due to lower deferred tax liabilities, which at December 31, 2014 were $29,624 compared to $27,404 at March 31, 2015 and a $2,484 reduction in deferred revenue driven by the transfer of deferred revenues to current liabilities.

Liquidity and Capital Resources

During the three months ended March 31, 2015, cash increased by $144 from $25,573 to $25,717. Prior to the impact of foreign exchange there was a net increase in cash of $1,277, which was offset by a negative foreign exchange impact of $1,133.

Cash generated from operating activities for the three months ended March 31, 2015 was $14,111 compared with $17,094 in the three months ended March 31, 2014. The decrease in cash generated from operating activities of $2,983 was driven by (i) an increase in working capital additions of $8,222 (an increase in working capital of $10,159 for the three months ended March 31, 2015 compared to an increase of $1,937 for the three months ended March 31, 2014); (ii) offset by lower cash taxes paid by $1,287 ($91 for three months ended March 31, 2015 compared to $1,378 for three months ended March 31, 2014); (iii) further offset by a higher operating profit before tax of $3,957 (three month ended March 31, 2015 operating profit before tax of $24,355 (adding back to pre-tax loss: depreciation, amortization, impairment, interest and other non-cash charges) compared to a three months ended March 31, 2014 operating profit before tax of $20,398).

Cash used in investing activities for the three months ended March 31, 2015 was $7,775 compared with cash provided by investing activities of $594 in the three months ended March 31, 2014. The decrease is primarily due to proceeds of $10,000 received from the sale of residential Latin America operations in the three months ended March 31, 2014.

Cash used in financing activities for the three months ended March 31, 2015 was $5,059 compared to cash used of $4,735 in the three months ended March 31, 2014. The increase is primarily due to higher interest and debt repayment on the 2014 First Lien Credit Facility as a result of the refinancing that occurred in the second quarter of 2014.

Contractual obligations

The following chart outlines the Company's contractual obligations as at March 31, 2015:

Description	Total	Less than one year	Years two and three	Years four and five	Beyond five years
2014 First Lien Credit facility	$232,650	$2,350	$ 4,700	$225,600	$-
2014 First Lien Credit facility interest	66,180	16,494	32,398	17,288	-
9.25% Senior Unsecured Notes	350,000	-	-	-	350,000
9.25% Senior Unsecured Notes interest	194,250	32,375	64,750	64,750	32,375
Convertible debentures	50,266	50,266	-	-	-
Convertible debenture interest	5,096	5,096	-	-	-
Operating leases	39,445	13,558	17,713	5,724	2,450
Finance leases	399	394	5	-	-
Trade and other payables	103,861	103,861	-	-	-
Total	**$1,041,147**	**$224,394**	**$119,566**	**$313,362**	**$384,825**

Bank debt and convertible debentures

	2014 First Lien Credit Facilities	9.25% Senior Unsecured Notes	New Debentures	Consideration Debentures	Convertible Debentures
Closing date	May 1, 2014	October 19, 2011	October 1, 2010	May 6, 2011	May 27, 2011
Maturity date	May 1, 2019	October 15, 2020	October 31, 2015	October 31, 2015	October 31, 2015
Interest rate	7%	9.25%	10%	10%	10%
Effective Interest rate	7.74%	9.46%	14.25%	11.84%	10.24%
Conversion price			$2.43	$2.43	$2.80

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 leases 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:

	March 31, 2015	December 31, 2014
Equity	$(78,362)	$(56,025)
Convertible debentures	50,266	50,266
2014 First Lien Credit Facilities	232,650	233,238
9.25% Senior Unsecured Notes	350,000	350,000
Total Debt (contractual amounts due)	632,916	633,504
Total Capital	**$554,554**	**$577,479**

The number of our outstanding common shares as at March 31, 2015 was 182,067,119. The company issued 2,300,000 shares in satisfaction of a settlement of an outstanding litigation with PFH Investment Limited.

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

	Outstanding as at May 12, 2015
Common shares	182,067
Share options	15,638
Warrants	4,408
Convertible debentures	19,951

Risk management

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 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. This affects reported results in our U.S. dollar denominated Consolidated Statements of Loss and our Consolidated Statements of Cash Flows.

During the three months ended March 31, 2015, the Company entered into a series of Euro and AUD average rate forward contracts, as well as, into a Euro forward contract. These 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, 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.

The following is a table of the Euro and AUD average rate forward contracts the Company. The changes in fair value are included within operating costs. For the three months ended March 31, 2015, the amount of gain reflected as a contra expense was $1,150.

Forward date	**March 31, 2015**		**June 30, 2015**		**September 30, 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 in the three months ended March 31, 2015 was $337.

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. However, the level of interest rate risk is mitigated by the fact that the Credit Facilities carry an interest rate floor which currently exceeds LIBOR. The interest rate floor 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. The total change in fair value for the three month period ended March 31 2015 was a charge of $309 for the interest rate floor associated with the 2014 Credit Facilities and a credit of $584 for the interest rate floor associated with the 2011 Credit Facilities for the three month period ended March 31, 2014.

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. 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 capital 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. On an ongoing basis management evaluates the sufficiency of its current liquidity, borrowing capacity and capital structure 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 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 in January 2014 followed by the sale of its DMX Canada accounts in June 2014.

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.

Share-based compensation

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at 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 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.

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, their 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, but 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.

Income taxes

Tax regulations and legislation, and the interpretations thereof in the various jurisdictions in which we operate, 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 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, the availability of cash flow to offset the tax assets when the reversal occurs 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.

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.

Inventory obsolescence

Our obsolescence provision is determined at each reporting period and the changes are recorded in the consolidated statements of income (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.

Property and equipment

We have estimated the useful lives of the components of all property and equipment based on past experience and industry norms and we depreciate these assets over their estimated useful lives. We assess 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.

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 cash-generating unit ("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. We test the recoverability of our long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While we believe that no provision for impairment is required, we must make certain estimates regarding cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in charging future results with an impairment loss.

Goodwill and indefinite-lived intangible assets

We perform 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, we selected October 1 as the date when to perform the annual impairment analysis. Impairment calculations under IFRS are done at a CGU group level. 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 CGUs 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 is to compare the recoverable amount of the asset, CGU or group of CGU's to the carrying value. 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.

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 have been evaluated and it has been determined that their design and operation provide reasonable assurance as to their adequacy and effectiveness as of, and for the three months ended March 31, 2015.

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).

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.

The Company did not make any changes to the Company's internal controls over financial reporting during the most recent reporting period that would have materially affected or would reasonably be likely to materially affect the Company's internal controls over financial reporting.

Risk Factors

The results of operations, business prospects and the financial condition of the Company are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of the Company's management. These risks are noted below.

Integration risks

Making strategic acquisitions and business combinations has been a significant part of Mood's historical growth. We completed the acquisition of Technomedia in December 2012, ICI in October 2012, BIS in May 2012, DMX in March 2012, and Muzak in May 2011, with the expectation that these acquisitions would result in strategic benefits, economies of scale and synergies. We commenced a comprehensive integration and synergy program in the fourth quarter of 2013 and these integration activities are expected to continue throughout 2015. The anticipated benefits and synergies will depend on our ability to integrate our operations in an efficient and effective manner. It is possible that this may not occur as planned, or that the financial and other benefits may be less than anticipated. In addition, management believes that the integration will give rise to restructuring costs and charges, and these may be greater than currently anticipated. Furthermore, the contracts governing the Company's recent acquisitions do include, and the contracts governing the Company's future business combinations and/or acquisitions may include, post-closing purchase price adjustments that require us to make additional payments to the relevant selling party post-closing and such payments could be greater than anticipated. The integration of the Company's ERP systems presents a risk to the Company and requires resources to accomplish, including capital expenses and personnel time.

Additionally, failure to properly integrate these acquisitions will leave the Company less able to operate as a consolidated whole and may lead to depressed revenue and margin performance. This integration is ongoing and 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 our 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 integration.

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

The Company may become subject to legal proceedings and claims 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 our business, we may be subject to copyright infringement lawsuits for selling, performing or distributing musical works and sound recordings if we do not have the rights to do so. Results of legal proceedings cannot be predicted with certainty. Regardless of their merits, litigation, arbitration and/or mediation of such claims may be both time-consuming and disruptive to our 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 rights they grant the Company, the Company's business may be adversely affected

The Company's acquisition and distribution agreements with content owners contain representations, warranties and indemnities with respect to the rights granted to us. If we 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 we were unable to enforce on the representations, warranties and indemnities made by such person, our business may be adversely affected.

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

The market for acquiring rights from content owners is competitive, especially for the distribution of music catalogues owned by independent labels. We face competition in our 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. Our 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 our ability to distinguish ourselves from our competitors by virtue of our music library.

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 we offer in order to promote their services and gain share. If these competitors are able to leverage such price advantages, it could harm our ability to compete effectively in the marketplace. Furthermore, there is a threat of new entrants to the competitive landscape, including traditional advertisers and media providers as well as start-up companies. The growth of social media could facilitate other forms of new entry that will compete with the Company.

We also compete with companies that are not principally focused on providing business music services. Such competitors include Sirius XM Satellite Radio, webcasters and 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 CDs, tapes, MP3 files and satellite, terrestrial and internet radio.

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

If the Company is unable to generate demand for managed media services, our 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.

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

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

Mood's success depends in part on the ability of our 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. Our business and operating results will be harmed if we fail to cross sell our services and/or fail 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. We may not successfully identify, develop and market new products and service opportunities in a timely manner. We also may not be able to add new content as quickly or as efficiently as our competitors, or at all. If we introduce new products and services, they may not attain broad market acceptance or contribute meaningfully to our revenues or profitability. Competitive or technological developments may require us to make substantial, unanticipated investments in new products and technologies, and we may not have sufficient resources to make these investments.

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

While we have developed our own proprietary software and hardware for the delivery of media solutions, we may be restricted under existing or future agreements from utilizing certain licensed technology in all of the jurisdictions and/or industry sectors in which we operate. Failure to comply with such restrictions may leave us open to proceedings by third parties and such restrictions may, if alternative technology is not available, affect our ability to deliver services in such jurisdictions, in such case resulting in an adverse effect on our 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

We have licensing arrangements with suppliers of satellite services which are used in the delivery of content to our customers. If such licensing arrangements were terminated and alternative arrangements were not available, this would affect our ability to deliver services resulting in an adverse effect on our financial or trading position.

The imposition of the obligation to collect sales or other taxes on shipments into one or more states in the United States could create administrative burdens on the Company and decrease our future sales

We do not collect sales or other taxes on shipments by our foreign subsidiaries of most of their goods into most states in the United States. One or more states or foreign countries may seek to impose sales or other tax collection obligations on out-of-jurisdiction e-commerce companies. A successful assertion by one or more states or foreign countries that the Company should collect sales or other taxes on the sale of merchandise or services could result in substantial tax liabilities for past sales, decrease our ability to compete with traditional retailers, and otherwise harm our business.

Currently, U.S. Supreme Court decisions restrict the imposition of obligations to collect state and local sales and use taxes with respect to sales made over the Internet. However, a number of states, as well as the U.S. Congress, have been considering initiatives that could limit or supersede the Supreme Court's position regarding sales and use taxes on Internet sales. If any of these initiatives were successful, we could be required to collect sales and use taxes in additional states. The imposition by state and local governments of various taxes upon internet commerce could create administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on all of our online competitors and decrease our future sales.

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 we 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, Mood Media (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 Mood Media). Management believes that the Company's status of being taxable both in Canada and the United States has not given rise to any material adverse consequences as of the date hereof. Management also believes that such status is not likely to give rise to any material adverse consequences in the future as it is not anticipated that it will have any material amounts of taxable income. Nevertheless, 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.

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.

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

Given the sensitivity of capital markets worldwide, there is a risk that we may not be able to obtain additional equity or debt financing that we may require to consummate future acquisitions or to refinance our debt when it is due. While management believes that the Company possesses sufficient cash resources, access to capital markets and other liquidity sources, such as divestitures of non-core assets, to execute the Company's business plan, an inability to access financing at a reasonable cost could affect our ability to grow. If the realization of various risk factors results in poor financial performance it may make capital markets more difficult to access or closed completely to the Company for debt and equity financing and the Company could go out of business.

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

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

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

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

Our 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 we offer, and clients may prefer these alternative delivery methods. We may not have the financial or technological resources to adapt to changes in available technology and our clients' preferences, which may have a negative effect on its revenue.

We cannot provide assurance that it will be able to use, or compete effectively with competitors that adopt, new delivery methods and technologies, or keep pace with discoveries or improvements in the communications, media and entertainment industries. We 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 adversely affected if such royalties are increased

We pay performance royalties to songwriters and publishers through contracts negotiated with performing rights societies such as The American Society of Composers Authors and Publishers ("ASCAP") 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 mechanical royalty rates for digital 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, our results of operations and financial condition may be adversely affected.

We also secure 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.

Further, our results may be adversely affected if there is reform in the copyright laws or music industry practices.

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

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

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

We distribute music content to business music consumers via proprietary media players. We cannot be certain that the steps we have taken to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate our proprietary rights. To protect our proprietary rights, we depend on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with our employees and third parties and protective contractual provisions. These efforts to protect our intellectual property rights may not be effective in preventing misappropriation of our technology. These efforts also may 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 our 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 our network security or otherwise misappropriate our users' personal information or credit card information. If our network security is compromised, we 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, we 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 our ability to obtain information about our users, which could result in decreased advertising revenues.

Our 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. We use information gathered from cookies to tailor content to users of our 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 our business. In addition, legal restrictions on cookies, pixel tags and other tracking technologies may make it more difficult for us to tailor content to our users, making our network less attractive to users. Similarly, the unavailability of cookies, pixel tags and other tracking technologies may restrict the use of targeted advertising, making our network less attractive to advertisers and causing us to lose significant advertising revenues.

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

We are 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 our products and services and increase our 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

Our 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, we may be obligated to comply with the privacy and data security laws of certain foreign countries.

Our exposure to Canadian, European and other foreign countries' privacy and data security laws impacts our ability to collect and use personal data, and increases our 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 our 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 our data collection practices which may be expensive to implement.

In addition, enforcement of legislation prohibiting unsolicited e-mail marketing in the European Union without prior explicit consent is increasing in several European countries, including France, Germany and Italy, which activities could negatively affect the Company's business in Europe and create further costs for us.

Evolving industry

We sell digital music on a subscription basis based on the quality and quantity of our music selections, our ability to efficiently distribute our content, our ability to provide copyright compliant solutions, our ability to meet the branding requirements of our customers and in the context of the pricing of our competitors in the industry. The Company has limited ability to influence the pricing models of the commercial music industry. There is no assurance that the major record labels 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 we receive or result in higher costs to us that we may not be able to pass through to our 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 our industry thus altering the competitive landscape and presenting risks to our 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. 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 legitimate sales. This may result in a reduction in our revenue.

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 we will pay any dividends on the Common Shares in the foreseeable future. However, dividends received by shareholders could be subject to applicable withholding taxes and the Company recommends that such shareholders seek the appropriate professional advice in this regard.

Litigation

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

Reliance on debt facilities

A portion of our credit facilities bear interest at floating interest rates and, therefore, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond our control and there can be no assurance that interest rates will not have a material adverse effect on the Company's financial performance. We have debt and owe money to creditors including banks and holders of convertible debentures and the Notes. Such debt may be secured against the Company's assets or guaranteed by certain of our subsidiaries and is subject to certain covenants being met. These covenants could reduce our flexibility in conducting our operations and may create a risk of default on our debt if the Company cannot satisfy or continue to satisfy these covenants. Should we fail to satisfy or continue to satisfy our covenants and if our debt is accelerated or required to be redeemed, we will need to find new sources of finance or else cede ownership of some or all of our assets which may have a material adverse effect on the business of the Company. 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.

Foreign currency exchange risk

We operate in the US, Canada and internationally. The functional currency of the Company is US dollars and a significant number of our 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. 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. This affects reported results in our U.S. dollar denominated Consolidated Statements of Loss and our Consolidated Statements of Cash Flows. During January, 2015 the company entered into Euro and Australian dollar average rate forwards which provide a hedge for anticipated quarterly segment profit in 2015 related to its Euro and Australian foreign subsidiaries as well as a forward contract for a specific intercompany remittance of 4 million Euros to the US at a fixed exchange rate. Since the financial statements of Muzak, DMX, ICI, Trusonic and Technomedia are denominated in US dollars, and these subsidiaries generate the majority of the Company's total income statement, cash flow statement and balance sheet, the impact associated with translation exposure has been reduced.

The forward contracts are measured at fair value at each reporting period. Factors used in the determination of fair value include the spot rate, forward rates, 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.

Interest rate risk

Our interest rate risk arises on borrowings outstanding under the 2014 First Lien Credit Facility, which bears interest at a floating rate. However the level of interest rate risk is mitigated by the fact that the 2014 First Lien Credit Facility carries an interest rate floor which currently exceeds LIBOR.

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. Our 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.

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 capital 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. On an ongoing basis management evaluates the sufficiency of its current liquidity, borrowing capacity and capital structure 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 and to better match terms and pricing to the company's needs. The Company has implemented significant cash improvement initiatives that we believes will improve our ability to generate enhanced cash flow in the future, including the formation of a senior management 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 our Latin American business in January 2014 followed by the sale of its DMX Canada accounts in June.

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.

Further detail is provided in the "Risk Factors" section of the Company's AIF, which can be found at www.sedar.com.

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," 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 described herein 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.