

**Asian Television Network International Limited**  
**Management's Discussion and Analysis**  
**For the years-ended December 31, 2016 and December 31, 2015**



The purpose of this Management's Discussion and Analysis ("MD&A"), dated April 19, 2017, is to provide readers with additional and complementary information regarding Asian Television Network International Limited ("ATN" or the "Company") financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Copies of these documents as well as additional information concerning the Company can be found on the SEDAR Web site at [www.sedar.com](http://www.sedar.com) and may also be obtained upon request, without charge, to the Secretary of the Company at its executive office, 330 Cochrane Drive, Markham, Ontario L3R 8E4, telephone: 905-948-8199. The above-mentioned documents, as well as the Company's news releases, are also available on the Company's Web site at [www.asiantelevision.com](http://www.asiantelevision.com).

All amounts herein are expressed in Canadian dollars. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2015.

All of our operations are in Canada.

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## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition, and more particularly as they relate to management's belief in respect of the sufficiency of cash from operations to cover cash requirements as they arise.

When used in this document, the words "believe", "anticipate", "intend", "estimate", "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on management's current expectations. These forward looking statements relating to the Company's future cash requirements are based on an assumption that cash flow from the future operations in future periods will not be significantly less than for prior periods. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the forward looking information due to assumptions, estimates or expectations reflected or contained in the forward-looking information. Actual future performance, including cash flow from operations, will be affected by a number of factors, which may result in a decrease in cash flow from operations. These factors include technology changes, economic conditions, regulatory and taxation changes, competitive factors and changes in accounting rules or standards, many of which are beyond the Company's control (see "Risks and Uncertainties Affecting our Business"). Therefore, future events and results may vary substantially from what we currently foresee. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **PROFILE**

We are a Canadian media company focused on Canada's fast expanding South Asian population with all of our operations in Canada. ATN pioneered South Asian programming on television in Canada through its first venture on Rogers Cable Systems in 1971. Today ATN serves Canada's diverse cultural communities with 55 premium pay specialty television channels, in 9 languages, ATN offers its flagship general interest service "ATN - HD", several Bollywood movie channels with over 800 movies a month, and a variety of channels that include sports, news, music, lifestyle, spiritual and several regional language channels. ATN is Canada's pioneer of World Class Cricket. ATN's television channels are distributed to subscribers by various Canadian Broadcast Distribution Undertakings (BDUs), including cable, satellite and telephone companies. ATN operates a South Asian Radio Service on Satellite Radio across Canada and the United States. We are publicly traded on the TSX Venture Exchange (TSX-V: SAT).

ATN derives its revenue principally from subscription revenue and advertising revenue on its speciality pay television channels. Subscription revenue consists of a portion of monthly fees paid by viewers to their Broadcast Distribution Undertakings (BDUs) while advertising revenue consists of revenue earned from the sale of on-air advertisement by ATN. The Company develops some of its programming in-house and also acquires the rights to programs from local and international television and film producers. All of ATN's television channels are speciality pay channels which are available on BDUs (including Canada's cable television networks and satellite and fibre optic television networks) for a monthly fee. The fee payable for a subscription to ATN's channels is in addition to the fee paid by subscribers to the BDUs for "basic" packages. Not all channels are carried by all BDUs. The Company's radio service is available on Canada's satellite radio service for a subscription fee, a portion of which is remitted to the Company by the radio service. Advertisers on ATN's channels consist of national, regional and local businesses who commit to advertising over varying periods of time, principally short term. The Company also earns revenue from the licensing of programming to other broadcasters and from the production of advertising for advertisers. The Company's programming is targeted to Canada's South Asian population which is concentrated in Canada's major urban centres. The Company's operations are based in Markham, Ontario in suburban Toronto.

## **FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR**

- The Company paid dividends at a rate of \$0.02 per share in each quarter on its common shares totaling \$1,952,233.
- The Company's reported consolidated net income of \$565,084 with annual revenue of \$24,006,724.

## **OPERATIONAL HIGHLIGHTS FOR THE FISCAL YEAR**

- On March 18, 2016 ATN announced that it had acquired rights to exclusively broadcast ICC World Twenty20 Cricket Live on Pay-Per-View across Canada. The ICC World Twenty20 (also referred to as the World T20) is the international championship of Twenty20 cricket. Organised by cricket's governing body, the International Cricket Council (ICC), the tournament consists of 16 teams, comprising all ten ICC full members and six other associate or affiliate members chosen through the World Twenty20 Qualifier. All matches played are accorded Twenty20 International status.
- On April 19, 2016, the Company announced that it joined forces with Tata Communications (Tata) to launch new Over the Top (OTT) service across Canada. ATN will leverage Tata's end-to-end managed OTT playout services to deliver content in an intuitive app. Through the first phase of deployment, the network's extensive mix of South Asian cultural content will be made available through linear channels, across multiple formats such as iOS and Android, and on platforms like Apple TV and Roku. This will complement ATN's current national distribution of more than 50 linear services, enabling the network to future-proof its offering as the way people consume content continues to evolve. ATN is pleased to announce that this new service, called ROOTSTV and currently in Beta testing, will be launched shortly.
- On July 25, 2016, ATN announced that it has acquired exclusive Cricket rights for Cricket Australia, England Cricket Board, Cricket Ireland and Caribbean Premiere League. All the series acquired will be aired on CBN & ATN Cricket Plus and will feature all top teams like India, Pakistan, Sri Lanka, Australia, England, South Africa, New Zealand, Bangladesh, Ireland and the West Indies. Caribbean Cricket League is an annual T20 Cricket tournament, established by the West Indies Cricket board, held in the Caribbean featuring 6 teams with a mix of Domestic & International players. Apart from the top players from the West Indies Cricket Team like Chris Gayle, Kieron Pollard, Lendl Simmons, Darren Sammy, the league also features some of the top International players like AB De Villiers, Dale Steyn, Shoaib Mallik, Umar Akmal, Martin Guptill, Brendon McCullum, Kumar Sangakara, Michael Hussey, Shane Watson & many more.

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## NON-IFRS MEASURES

In addition to discussing earnings measures in accordance with IFRS, this MD&A provides the following non-IFRS measures which are also factors used by the Company's management and Board of Directors in monitoring and evaluating the performance of the Company. The Company's management also believe certain investors use it as a measure of the Company's financial performance and for valuation purposes.

**EBITDA** (earnings before interest, taxes, depreciation and amortization) is provided to assist investors in determining the ability of the Company to generate cash flow from operating activities and to cover financial charges. EBITDA is also an indicator widely used for business valuation purposes. The following table reconciles IFRS measures disclosed in the audited consolidated statement of income for the three months and twelve months ended December 31, 2016 and December 31, 2015 to EBITDA:

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Net income for the period (earnings)	\$58,524	\$538,417	\$565,084	\$1,862,841
Income tax expense (recovery)	(40,202)	184,802	212,191	683,914
Finance costs (interest)	9,318	10,641	40,708	51,669
Depreciation and amortization	374,526	229,143	981,898	768,810
<b>EBITDA</b>	<b>\$402,166</b>	<b>\$963,003</b>	<b>\$1,799,881</b>	<b>\$3,367,234</b>

EBITDA is not defined by IFRS and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises.

## ADDITIONAL GAAP MEASURES

Profit from operations is included in the Statement of Cash Flow which forms part of the Audited Consolidated Financial Statements, and may be considered to be an additional GAAP (general accepted accounting principles) measure presented under IFRS. This measure provides management a useful indicator of the Company's ability to operate profitably as it excludes the impact of certain working capital measures, such as changes in trade and other receivables, changes in prepaid expenses and changes in accounts payable and accrued liabilities. The Company's management also believe certain investors use it as a measure of the Company's financial performance. Profit from Operations is not defined by IFRS and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises.

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**PERFORMANCE REVIEW**

**Selected Financial Highlights**

Set out below are selected financial measures for each of the years ended December 31, 2016, 2015 and 2014.

In 2014 – The Company experienced slightly lower revenues despite the additional revenue streams from adding new channels. The Company experienced consumer pressure to lower its price for the services it offers, however the cost to deliver the services continued to rise.

In 2015 – The Company continued to experience slightly lower revenues from consumer pressure to lower its price for the services it offers and managed to maintain the cost of delivery of the services.

In 2016 – The Company continued to experience declining revenues from consumers shift towards digital and on-line media consumption. Additionally, a number of online media companies have entered the market with video offerings like over-the-top (OTT) and other channels streaming their own content.

<b>Audited twelve months ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating revenue	<b>\$24,006,724</b>	\$26,102,683	\$26,425,616
Net income	<b>\$565,084</b>	\$1,862,841	\$2,104,998
Weighted average number of outstanding shares			
Basic	<b>24,402,914</b>	24,402,914	24,402,914
Diluted	<b>24,402,914</b>	24,402,914	24,402,914
Earnings per share			
Basic	<b>\$0.02</b>	\$0.08	\$0.09
Diluted	<b>\$0.02</b>	\$0.08	\$0.09
Total Assets	<b>\$15,159,406</b>	\$16,017,535	\$16,799,177
Long-term debt and finance lease obligations	<b>\$104,393</b>	\$706,921	\$1,395,038
Dividends declared during the year per common share	<b>\$0.08</b>	\$0.08	\$0.08

**Summarized Consolidated Financial Results**

Unaudited three months and audited twelve months ended December 31, 2016 and December 31, 2015 and % Change

Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear.

	<b>Three months ended December 31,</b>			<b>Twelve months ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>%Change</b>	<b>2016</b>	<b>2015</b>	<b>%Change</b>
<b>Operating revenue</b>	<b>\$5,806,636</b>	\$6,837,077	-15%	<b>\$24,006,724</b>	\$26,102,683	-8%
<b>Administrative expenses</b>	<b>541,398</b>	453,993	19%	<b>2,132,944</b>	2,174,022	-2%
<b>Marketing and distribution costs</b>	<b>3,962,247</b>	4,375,392	-9%	<b>16,122,381</b>	16,478,316	-2%
<b>Employee costs</b>	<b>1,144,670</b>	1,114,203	3%	<b>4,417,425</b>	4,254,911	4%
<b>Depreciation and amortization</b>	<b>128,969</b>	148,292	-13%	<b>535,183</b>	588,032	-9%
<b>Finance costs</b>	<b>9,318</b>	10,641	-12%	<b>40,708</b>	51,669	-21%
<b>Gain on disposal of assets</b>	-	-		<b>(8,852)</b>	-	
<b>Loss (gain) on exchange difference</b>	<b>1,712</b>	11,337	-85%	<b>(10,340)</b>	8,978	-215%
<b>Total operating expenses</b>	<b>5,788,314</b>	6,113,858	-5%	<b>23,229,449</b>	23,555,928	-1%
<b>Income before taxes</b>	<b>18,322</b>	723,219	-97%	<b>777,275</b>	2,546,755	-69%
<b>Income tax (recovery) expense</b>	<b>(40,202)</b>	184,802	-122%	<b>212,191</b>	683,914	-69%
<b>Net income for the period</b>	<b>\$58,524</b>	\$538,417	-122%	<b>\$565,084</b>	\$1,862,841	-70%
<b>Basic and Diluted Earnings per share</b>	<b>\$0.00</b>	\$0.02	-89%	<b>\$0.02</b>	\$0.08	-70%
<b>EBITDA</b>	<b>\$402,166</b>	\$963,003	-58%	<b>\$1,799,881</b>	\$3,367,234	-47%

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Consolidated operating revenue was \$5,806,636 in the three months ended December 31, 2016, a decrease of \$1,030,441 over the three months ended December 31, 2015, resulting from a decline in subscription revenues and advertising revenues. For the year ended December 31, 2016, consolidated operating revenue was \$24,006,724 or 8% lower than last year. The annual decline was primarily attributable to a decline in subscription revenues. Consolidated operating expenses was \$5,788,314 for the three months ended December 31, 2016, a decrease of \$325,544 or 5% than the three months ended December 31, 2015 as a result of lower marketing and distribution costs. For the year ended December 31, 2016, consolidated operating expenses were \$23,229,449, \$326,479 lower over last years consolidated operating expenses of \$23,555,928, primarily attributable to a decrease in marketing and distribution costs partially offset by an increase in employee costs.

**Overall Analysis**

**Operating Revenues**

Operating revenues are derived from subscription fees, advertising sales and programming and finance income. Subscriptions fees are charged to the consumer by the Broadcast Distribution Undertakings ("BDUs" or singular, "BDU") such as cable, satellite and telephone companies. The portion of the fees received for each subscriber is negotiated between ATN and the BDUs and varies for each channel. Subscribers are generally permitted to change their viewing package at any time and therefore may terminate their subscription with the BDUs at any time. Advertising revenues are derived from national, regional and local advertising customers and are aired on the Company's broadcasting channels and they vary according to market and general economic conditions, the quality of programming and the effectiveness of the sales organization. Advertising is sold directly by ATN or through an agency on short and long-term contracts, ranging from one day, a week or several months, however contracts never extend beyond one year.

Operating revenues are detailed as follows:

Three months and twelve months ended December 31, 2016 and December 31, 2015 and % Change

Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	%Change	2016	2015	%Change
<b>Subscription</b>	<b>\$4,101,771</b>	\$4,941,832	-17%	<b>\$17,897,923</b>	\$20,229,081	-12%
<b>Advertising</b>	<b>1,458,212</b>	1,691,119	-14%	<b>5,397,871</b>	5,183,459	4%
<b>Programming</b>	<b>231,653</b>	189,505	22%	<b>652,181</b>	617,407	6%
<b>Finance income</b>	<b>15,000</b>	14,621	3%	<b>58,749</b>	72,736	-19%
<b>Total revenue</b>	<b>\$5,806,636</b>	\$6,837,077	-15%	<b>\$24,006,724</b>	\$26,102,683	-8%

Total revenues reached \$5,806,636 and \$24,006,724 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$6,837,077 and \$26,102,683 for the same periods last year, for a quarterly decrease of \$1,030,441 and an annual decrease of \$2,095,959 respectively.

The decrease for the quarter is mainly attributed to a declining subscription revenue. Our majority of year over year revenue decline was a result of lower subscription revenues caused by market pressure for lower retail pricing and changes in consumers' viewing choices.

**Administrative expenses**

Administrative expenses were \$541,398 and \$2,132,944 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$553,920 and \$2,174,022 for the same periods last year, for a decrease of \$12,522 and \$41,078 respectively.

Administrative expenses have remained comparatively the same as the prior year, in spite of the additional staff and management effort spent on the development of the Company's new Over the Top service due for consumer launch mid-year 2017.

**Marketing and distribution costs**

Marketing and distribution costs were \$3,962,247 and \$16,122,381 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$4,375,392 and \$16,478,316 for the same periods last year, for a decrease of \$413,145 and a decrease \$355,935 respectively.

The decrease for the quarter and on an annual basis in marketing and distribution costs is mainly attributed to our programming costs being determined as a percentage of the revenue earned on each channel.

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**Employee costs**

Employee costs were \$1,144,670 and \$4,417,425 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$1,114,203 and \$4,254,911 for the same periods last year, for increases of \$30,467 and \$162,514 respectively.

Employee costs represent a material portion of our expenses. Employee costs increased due to the number of employees we had compared to 2015 along with modest wages increases in order to retain employees from being attracted by external forces.

**Depreciation and amortization**

Depreciation and amortization expense was \$128,969 and \$535,183 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$148,292 and \$588,032 for the same periods last year, for a decrease of \$19,323 and \$52,849 respectively.

Depreciation and amortization expense changes are attributable to the additional property and equipment acquired during 2016 and 2015 and property and equipment coming to end of use.

**Finance costs**

Finance costs were \$9,318 and \$40,708 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$10,641 and \$51,669 for the same periods last year, for decreases of \$1,323 and \$10,961 respectively.

The decrease is due to the repayment of the Company's long-term debt. At the end of 2012 the Company borrowed approximately \$3.4 million from a Canadian bank to finance the property, plant and equipment acquired to enhance our broadcasting facility in Markham. During 2016, the Company acquired additional financing of \$123,709 via finance lease to fund property and equipment having a cost of \$202,639 and remaining balance was funded by the sale of certain property and equipment.

**Loss (gain) on exchange differences**

Loss (gain) on exchange differences were \$1,712 and \$(10,340) respectively, for the three and twelve month periods ended December 31, 2016 compared to \$11,337 and \$8,978 for the same periods last year, for decreases of \$9,625 and \$19,318 respectively.

The differences are due to the Company risk associated with transacting in foreign currency, mainly the United States Dollar. See also section ("Interest Rate and Foreign Exchange Management")

**Income tax expense**

Income tax (recovery) expense was \$(40,202) and \$212,191 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$184,802 and \$683,914 for the same periods last year, for a decrease of \$225,004 and \$471,723 respectively.

Our effective income tax rate for the three and twelve month periods ended December 31, 2015 was -2.19% and 27.3% respectively. Due to year-end tax planning, non-deductible amounts for Federal tax purposes and other items, income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to income before tax.

**Net income for the period and Earnings per share ("EPS")**

Net income and EPS was \$58,524 (EPS - \$0.00) and \$565,084 (EPS - \$0.02) respectively, for the three and twelve month periods ended December 31, 2016 compared to \$538,417 (EPS - \$0.02) and \$1,862,841 (EPS - \$0.08) for the same periods last year, for a decrease of \$479,893 or \$0.02 in Basic and Diluted EPS for the three months ended December 31, 2016 and a decrease of \$1,297,757 or \$0.06 in Basic and Diluted EPS for the twelve-month period ended December 31, 2016.

Our total operating revenue decreased by 8% compared to the same period last year resulting in a 70% decrease in net income for the year.

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**Quarterly Performance**

The following table highlights the quarterly performance of the Company's operations for the past eight quarters, prepared in accordance with IFRS.

	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$6,226,883	\$6,441,117	\$6,597,606	\$6,837,077	\$6,091,874	\$6,250,709	\$5,857,505	\$5,806,636
EBITDA (1)	685,224	836,271	882,736	963,003	507,983	514,061	375,671	156,609
Net income	361,446	471,283	491,695	538,417	200,653	200,364	105,543	58,524
Basic EPS	\$0.01	\$0.02	\$0.02	\$0.03	\$0.01	\$0.01	\$0.00	\$0.00
Diluted EPS	\$0.01	\$0.02	\$0.02	\$0.03	\$0.01	\$0.01	\$0.00	\$0.00

The Company's revenue and operations results vary, depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenues is lower. The fourth quarter traditionally has a tendency to be a period of higher retail spending.

The above financial data was prepared in accordance with IFRS except EBITDA which is a Non IFRS measure. See Non-IFRS Measures.

**SEGMENTED INFORMATION**

The Company has only one business segment and therefore does not report financial results on a segmented basis.

**OVERVIEW OF LIQUIDITY, FINANCING AND SHARE CAPITAL ACTIVITIES**

**Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Management deems its liquidity risk to be low and this is explained in the paragraphs that follow.

**Credit Facility and Covenants**

The Company has an authorized line of credit of \$500,000. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms. The Company is subject to covenants on its credit facility. The Company's bank covenants include standard terms and conditions and the line is secured by term deposits held by the financial institution.

During 2012, the Company established a \$4,000,000 non-revolving credit term facility (the "Facility") with a Canadian financial institution. The interest rate applicable to the Facility available from the Canadian financial institution is the chartered bank's prime rate. The Company made an initial draw on the Facility in the amount of \$3,397,608. The proceeds were used to purchase certain Property and Equipment. The outstanding undrawn portion of this Facility of \$602,392 was cancelled at December 31, 2013. This Facility is subject to certain covenants, repayable in equal monthly installments of principal plus interest, amortized over 5 years. The collateral for this Facility is a security agreement on the Property and Equipment that was acquired by the funds of this Facility. During 2016, the Company revised its credit facility to include an authorized revolving line of credit of \$500,000 to assist with financing of broadcasting and similar technology. As of December 31, 2016, the Company has utilized \$109,928 of this facility recorded as Finance Lease Obligations. On March 3, 2017, the Company utilized an additional \$67,007 of this facility.

The Company was in compliance with the covenants throughout the quarter and at quarter end. Cash flow from operations and funds available from the Company's \$500,000 credit facility have been the primary funding sources of working capital, capital expenditures, dividend payments, debt repayments, and other contractually required payments through the past several years.

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**Positive Cash Balances**

The Company maintains significant positive cash balances. The fact that the Company has positive cash positions on its Statement of Financial Position reduces its liquidity risk to fund any current obligations. It can also access any unused capacity in its credit facility to fund obligations. Working Capital Requirements

As at December 31, 2016, the Company's working capital balance was approximately \$5.7 million. The cash on hand and the cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations the Company will be able to meet all other current cash requirements as they arise. In addition, if cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a \$500,000 operating credit line.

**Future Cash Requirements**

Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, dividends and other contractual obligations. Management anticipates that its cash flows from operations will provide sufficient funds to meet its cash requirements. The Company's future cash requirements are summarized in a table under the heading "Contractual Obligations"

**Operating, Financing and Investing Activities**

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
<b>Net cash flows from operating activities</b>	<b>\$2,209,548</b>	\$1,148,509	<b>\$3,578,491</b>	\$1,798,139
<b>Net cash flows from (used in) investing activities</b>	<b>(673,381)</b>	760,502	<b>(1,317,254)</b>	515,802
<b>Net Cash flows used in financing activities</b>	<b>(1,095,953)</b>	(459,984)	<b>(2,730,417)</b>	(2,439,703)
<b>Net cash increase (decrease) in cash and cash equivalents</b>	<b>440,214</b>	1,449,027	<b>(469,180)</b>	(125,762)
<b>Cash and cash equivalents at beginning of period</b>	<b>6,836,876</b>	6,297,243	<b>7,746,270</b>	7,872,032
<b>Cash and cash equivalents at end of period</b>	<b>\$7,277,090</b>	\$7,746,270	<b>\$7,277,090</b>	\$7,746,270

**Cash provided by operating activities**

The Company's cash balances decreased from \$7,746,270 as at December 31, 2015 to \$7,277,090 as at December 31, 2016. The \$469,180 decrease was caused by declining cash from operating activities not able to cover the cash required to cover investing and financing activities.

**Cash from investing activities**

Cash used in investing activities was \$673,381 and \$1,317,254 respectively, for the three and twelve month periods ended December 31, 2016 compared to cash provided by of \$760,502 and \$515,802 for the same periods last year. Cash used in investing activities is primarily as a result of payments to acquire plant and equipment along with payments and proceeds related to acquire or dispose short-term investments.

**Cash used in financing activities**

Cash used in financing activities was \$1,095,953 and \$2,730,417 respectively, for the three and twelve month periods ended December 31, 2016 compared to \$459,984 and \$2,439,703 for the same periods last year. Cash used in financing activities is primarily as a result of \$169,881 and \$679,522 in repayments of long-term debt and \$488,058 and \$1,952,233 payments of dividends for the three and twelve month periods ended December 31, 2016 respectively, compared to \$169,881 and \$679,524 in repayments of long-term debt and \$488,058 and \$1,952,233 payments of dividends for the same periods last year.

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**Long-term debt and finance lease obligations**

Our long-term debt and finance lease obligations are described in details in Notes 13 and 14 of our 2016 Annual Audited Consolidated Financial Statements.

**Interest Rate and Foreign Exchange Management**

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings. The exposure to interest rate risk arises from borrowings and investments issued at variable and fixed interest rates.

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings.

The Company has minimal interest and foreign exchange risk.

**Outstanding Common Share data**

Set out below is our outstanding common share data as at December 31, 2016 and at December 31, 2015.

Designation of Security	Number or Principal Amount Outstanding	If Convertible, Exercisable or Exchangeable for Common Shares, Maximum Number of Common Shares Issuable
Common Shares	24,402,914	N/A
Stock Options	Nil	Nil
Warrants	Nil	Nil
Total (maximum number of shares – fully diluted)	24,402,914	

We declared and paid dividends on each of our outstanding Common shares, as follows:

Declaration date	Record date	Payment date	Dividend per share	Dividends paid
March 10, 2015	April 15, 2015	April 30, 2015	\$ .02	\$ 488,058
June 12, 2015	July 15, 2015	July 31, 2015	\$ .02	\$ 488,058
September 8, 2015	October 15, 2015	October 31, 2015	\$ .02	\$ 488,058
December 6, 2015	January 15, 2016	January 31, 2016	\$ .02	\$ 488,058
April 1, 2016	April 15, 2016	April 30, 2016	\$ .02	\$ 488,058
July 4, 2016	July 15, 2016	July 29, 2016	\$ .02	\$ 488,058
October 3, 2016	October 15, 2016	October 31, 2016	\$ .02	\$ 488,058
January 3, 2017	January 15, 2017	January 31, 2017	\$ .02	\$ 488,058
April 3, 2017	April 13, 2017	April 28, 2017	\$ .02	\$ 488,058

**CONTRACTUAL OBLIGATIONS**

Contractual Obligations

Our material obligations under firm contractual arrangements are summarized below at December 31, 2016. See also Notes 18 to the 2015 Audited Consolidated Financial Statements.

Obligations	2017	2018	2019	2020	After 2020	Total
Leased premises	\$488,550	\$512,735	\$512,735	\$512,735	\$213,640	\$2,753,130
Operating leases	58,905	44,867	41,173	6,000	42,000	192,945
Finance lease obligation	37,692	37,962	34,913	26,576	10,896	147,769
Purchase commitments	1,442,253	994,688	383,759	273,197	59,640	3,803,508
	\$2,027,400	\$1,590,252	\$972,580	\$818,508	\$326,176	\$6,897,352

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OFF-BALANCE SHEET ARRANGEMENTS

Operating Leases

We have entered into operating leases for the rental of premises, equipment and other contracts. Refer to the section entitled "Commitments and Contingencies" above and Note 18 to the 2016 Audited Consolidated Financial Statements.

## RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESS

Our business is subject to risks and uncertainties that could result in a material adverse effect on our business and financial results.

### Identifying the Principal Risks of our Business

Our Board is responsible, in its governance role, for overseeing management in its responsibility for identifying the principal risks of our business and the implementation of appropriate risk assessment processes to manage these risks. The Audit Committee supports the Board through its responsibility to discuss policies with respect to risk assessment and risk management. In addition, it is responsible for assisting the Board in the oversight of compliance with legal and regulatory requirements. The Audit Committee also reviews with senior management the adequacy of the internal controls that we have adopted to safeguard assets from loss and unauthorized use, to prevent, deter and detect fraud, and to verify the accuracy of the financial records.

### Market Risks and Uncertainties

The Company has been experiencing rapidly increasing costs for programming. We continue to be active in the purchase of these rights. However, we are aware of and will guard against the risks inherent in purchasing product without significant gains in subscribers and revenue. The Company's channels are distributed nation-wide by a small number of cable and satellite companies. We rely on these companies to distribute our channels to our customers.

To achieve this end, we work diligently with them to maximize the number of channels carried individually by them. The BDUs, such as cable, satellite and telephone companies are our customers. It is their responsibility to report to us the actual number of subscribers and the actual amount of subscription revenue. In addition, management reviews external data for the current and prior periods to assist in the verification of the data obtained from the BDUs. The risk inherent in this relationship is the possibility of an error in reporting to us the number of subscribers or the amount of subscription revenue. Although management reviews internal and external subscriber data, management nonetheless relies on the accuracy and integrity of reports obtained from BDUs to verify the number of subscribers to the Company's channels.

### Technology Risks and Uncertainties

The Company is constantly aware of all changes in technology that affects or will affect the distribution of our channels or offer a new method of distribution. Many of these changes affect the way the Company distributes its content. However, equally important, some changes directly affect the capacity of a carrier to be able to distribute more or all of our channels. Although, management remains diligent reviewing these changes for new opportunities for our Company's channels to reach new markets, the cost to the Company of accessing new technologies may negatively impact on the Company's profitability.

### General Economic Conditions and Consumer Audience Confidence Risks and Uncertainties

Our business is affected by general economic conditions, consumer confidence and spending. Recessions or declines in economic activity or economic uncertainty generally cause an erosion of consumer and business confidence and may materially reduce discretionary consumer spending. Any reduction in discretionary spending by consumers and businesses or weak economic conditions may materially negatively affect us through decreased demand for our services including decreased advertising, decreased revenue and profitability, and higher bad debt expense.

The specialty television industry in which the Company operates involves a certain amount of risk. There can be no assurance of the economic success of any specialty television channel as revenues depend on audience acceptance, which cannot be accurately predicted. Audience acceptance is impacted by the specialty television service's content, reviews of critics, marketing and promotions, the quality and acceptance of other competing services, the availability of alternative forms of entertainment, leisure activities, general economic conditions, public tastes and other intangible factors. The lack of audience acceptance for the Company's specialty television channels could have an adverse impact on the Company's business, results of operations, prospects or financial condition.

We may fail to anticipate or satisfy demand for certain new services, or may not be able to offer or market these new services successfully to subscribers. The failure to attract subscribers to new services, or failure to keep pace with changing consumer preferences, would slow revenue growth and could have a materially adverse effect on our business, results of operations and financial condition.

Our television specialty services compete principally for viewers and advertisers with other Canadian specialty services that broadcast in their respective markets and increasingly with Internet TV video downloading which also represents competition for share of viewership. In addition, our subscription revenue and advertising revenue are generally negatively impacted by economic cycles, as was the case in 2013. Although the Company continues to develop flexible advertising packages and distribution channels tailored to the needs of advertisers, a general downturn in advertising budgets for television advertisers will have a negative impact on ATN's advertising revenue.

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**Dependence on BDUs Distributors or Programming Suppliers**

The Company is dependent on BDUs for its subscription revenue. The termination by any one BDU of its broadcasting of one or more of ATN's channels or changes in how the channels are offered to subscribers may have a significant negative impact on ATN's revenues. The Company address this risk by attempting to ensure that at least one BDU distributes some or all of its channels in each large Canadian metropolitan area, but nonetheless the loss of one BDU could be expected to impact ATN's revenue. Furthermore, the number of pay television households subscribing to traditional Canadian Cable or Satellite TV services continues to decline. Other video offerings available to consumers over the Internet such as, direct-to-consumer subscription or free services, some with pirated content, have contributed to this trend. If this decline continues, it could have a material adverse effect on our results of operations.

The Company has taken an active role in protecting its content rights and is working with many of its BDU partners in combatting the threat of piracy by legal means.

The Company is likewise dependent on its content suppliers for its subscription revenue. The termination by any one of its content suppliers could affect the number or quality of ATN's channels thus having a negative impact on ATN's revenues. The Company address this risk by attempting to ensure that it distributes content from most or all of the major south Asian content suppliers, but nonetheless the loss of any supplier could be expected to impact ATN's revenue.

**Regulatory Risks and Uncertainties**

The specialty television services industry is regulated by the, Canadian Radio-television and Telecommunications Commission ("CRTC") under the Broadcasting Act (Canada) (the "Broadcasting Act") which grants and renews licenses. The Company's broadcasting licenses must be renewed from time to time, typically every seven years, and cannot be transferred without regulatory approval. The Company's inability to renew its licenses on favorable terms, or at all, would have an adverse impact on its results of operations, prospects and financial condition.

Changes in the regulations governing the specialty television industry, including decisions by regulators affecting the Company's broadcasting operations, such as the granting or renewal of licenses or the granting of additional broadcasting licenses to competitors or the introduction of new regulations by regulators, could adversely impact operating results, prospects and financial condition of the Company. Our television specialty services may compete principally for viewers and advertisers with other similar, if any, Canadian or foreign specialty services that broadcast in their respective markets.

Substantially all of our business activities are subject to regulation by the CRTC, and, accordingly, our results of operations are affected by changes in regulations and by the decisions of these regulators.

Our broadcasting specialty services are licensed (or operated pursuant to an exemption order) and regulated by the CRTC pursuant to the Broadcasting Act. Under the Broadcasting Act, the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing certain broadcasting policy objectives enunciated in that Act.

The Company actively monitors the regulatory environment to ensure it is aware of all risks and opportunities. The licensing process creates a significant barrier to entry which provides a degree of protection for the Company in its existing markets. This also makes it difficult to enter new markets because a company either needs to be awarded a new licence (through the public process) or pay significant funds for existing stations in a market. However, ATN competes with a number of broadcasters who either have existing channels or have resources to acquire new distribution outlets.

## **ACCOUNTING**

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

This MD&A has been prepared with reference to our 2016 Audited Consolidated Financial Statements and Notes thereto, which have been prepared in accordance with IFRS. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Estimates and assumptions are generally based on historical experience and other factors management believes to be relevant at the time financial statements are prepared. Although these estimates and assumptions are made with diligence, actual results could differ from the reported amounts disclosed in the Company's consolidated financial statements and future revisions of estimates and assumptions could impact results of future periods.

#### **Allowance for doubtful accounts**

A portion of the Company's revenue is earned from selling on credit to individual consumers and business customers. The allowance for doubtful accounts is calculated by specifically identifying individual accounts which management determines to be potentially uncollectible. Factors that are taken into consideration include the Company's historical collections experience with the customer and the status of the customer's account with respect to whether the customer is continuing to receive service.

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**Revenue recognition**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue at the date of the consolidated financial statements. Actual results could differ from those estimates.

**Accrued liabilities**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities at the date of the financial statements and the reported amounts expensed during the year. Actual results could differ from those estimates.

**Provisions**

The Company is required to estimate future cash payments related to present obligations resulting from known events. Such estimates include the likelihood that the settlement of the obligation will require cash payments, the amounts that could be paid and the timing of the potential payments. The Company believes that the assumptions used are reasonable based on information currently available, but final payments could differ materially from provisions recognized on the consolidated statement of financial position.

**Income taxes**

Income tax liabilities must be estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required for the calculation of current and deferred taxes.

**Useful lives of property, plant and equipment**

Measurement of Property, Plant and Equipment ("PP&E") involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgment is also required to determine depreciation methods and an asset's residual value, and whether an asset is a qualifying asset for the purposes of capitalizing borrowing costs.

**ACCOUNTING POLICIES**

This MD&A has been prepared with reference to our 2016 Audited Consolidated Financial Statements and Notes thereto, which have been prepared in accordance with IFRS. The Audit Committee of the Board reviews our accounting policies, reviews all quarterly and annual filings, and recommends approval of our annual financial statements to the Board. For a detailed discussion of our accounting policies, see Note 2 to the 2016 Audited Consolidated Financial Statements. In addition, a discussion of new accounting standards adopted by us and critical accounting estimates are discussed in the sections "Critical Accounting Estimates" and "Recent Accounting Pronouncements" respectively.

**Onerous contracts**

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligation under the contract exceed the expected benefits to be derived by the Company. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, we recognize any impairment loss on the assets associated with the contract.

**Determining the fair values of assets acquired and liabilities assumed**

The determination of the fair values of the tangible and intangible assets acquired and the liabilities assumed in an acquisition involves considerable judgment. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future subscribers, and the use of information available in the financial markets. Should actual rates, cash flows, costs and other items differ from our estimates, this may necessitate revisions to the carrying value of the related assets and liabilities acquired, including revisions that may impact net income in future periods.

**Impairment of non-financial assets**

The impairment test on cash generating units ("CGU") is carried out by comparing the carrying amount of the CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

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**RECENT ACCOUNTING PRONOUNCEMENTS**

**Future Accounting Changes**

Based on the information currently available, the Company believes that the future adoption of the following IFRS requirements may have an impact on the Company's future consolidated financial statements. The Company is assessing the impact of these new standards on its consolidated financial statements.

**IFRS 9**

IFRS 9 Financial Instruments - The standard was issued and will replace IAS 39 – Financial Instruments: Recognition and Measurement. This standard introduces new requirements for classifying and measuring financial assets and liabilities. IFRS 9, which will be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

**IFRS 15**

IFRS 15 Revenue from Contracts with Customers - The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption.

**IFRS 16**

IFRS 16 Leases - In January 2016, the IASB issued this standard which introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Adoption of the new standard will be required effective for annual periods beginning on or after January 1, 2019.

**CONTROLS AND PROCEDURES**

The management of our company is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to see that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

The Chief Executive and Chief Financial Officer of the Company, the "Certifying Officers" evaluated the effectiveness of our internal control over financial reporting ("ICFR") as of April 19, 2017. Based on this evaluation, management has concluded that, as of December 31, 2016, our ICFR reporting is effective. There have been no changes in our ICFR during the 12 months ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our ICFR.

The Company is not required to certify the design and evaluation of its disclosure control and procedures (DC&P) or ICFR and although the Certifying Officers have evaluated the effectiveness of the Company's ICFR as at December 31, 2016, the Certifying Officers have not evaluated or caused to be evaluated the effectiveness of the Company's DC&P. The inherent limitations on the ability of the Certifying Officers to design and implement on a cost effective basis DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FOR MORE INFORMATION:**

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