Interim Condensed Consolidated Financial Statements

Mood Media Corporation

Unaudited

For the three months ended March 31, 2016

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited

In thousands of US dollars, unless otherwise stated

	Notes	March 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		$22,308	$17,326
Restricted cash		817	817
Trade and other receivables, net		87,722	94,063
Income taxes recoverable		457	682
Inventory		25,177	25,749
Prepayments and other assets		15,476	11,738
Deferred costs		8,525	8,706
Total current assets		**160,482**	**159,081**
Non-current assets			
Deferred costs		9,407	8,958
Property and equipment, net		45,874	47,812
Other assets		577	839
Intangible assets		215,749	223,847
Goodwill	14	215,077	213,979
Total assets		**647,166**	**654,516**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		99,608	100,320
Income taxes payable		1,623	1,305
Deferred revenue		21,313	16,106
Other financial liabilities	10	6,864	6,848
Current portion of long-term debt	9	8,350	8,350
Total current liabilities		**137,758**	**132,929**
Non-current liabilities			
Deferred revenue		5,761	5,998
Deferred tax liabilities		22,844	23,682
Other financial liabilities	10	4,243	3,083
Long-term debt	9	611,983	612,310
Total liabilities		**782,589**	**778,002**
Equity			
Share capital	13	328,807	328,807
Contributed surplus		40,361	40,333
Foreign exchange translation reserve		4,231	6,765
Deficit		(509,068)	(499,640)
Equity attributable to owners of the parent		**(135,669)**	**(123,735)**
Non-controlling interests		246	249
Total equity		**(135,423)**	**(123,486)**
Total liabilities and equity		**$647,166**	**$654,516**

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Unaudited

In thousands of US dollars, except per share information and weighted average number of shares

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2015
Revenue	5	**$111,335**	**$114,255**
Expenses			
Cost of sales		51,963	54,244
Operating expenses		37,552	35,891
Depreciation and amortization		16,567	16,749
Share-based compensation	11	28	216
Other expenses	6	6,064	897
Foreign exchange (gain) loss on financing transactions	10	(6,611)	19,003
Finance costs, net	7	15,845	14,080
Loss for the period before income taxes		**(10,073)**	**(26,825)**
Income tax (recovery) charge	8	(642)	146
Loss for the period		**(9,431)**	**(26,971)**
Net loss attributable to:			
Owners of the parent		(9,428)	(26,968)
Non-controlling interests		(3)	(3)
		$(9,431)	**$(26,971)**
Net loss per share attributable to shareholders			
Basic and diluted		$(0.05)	$(0.15)
Weighted average number of shares outstanding – basic		183,810	180,099
Weighted average number of shares outstanding – diluted		186,712	180,099
Loss for the period		**$(9,431)**	**$(26,971)**
Items that may be reclassified subsequently to the loss for the period:			
Exchange loss on translation of foreign operations		(2,534)	(3,292)
Other comprehensive loss for the period, net of tax		**(2,534)**	**(3,292)**
Total comprehensive loss for the period, net of tax		**(11,965)**	**(23,679)**
Comprehensive loss attributable to:			
Owners of the parent		(11,962)	(23,676)
Non-controlling interests		(3)	(3)
		$(11,965)	**$(23,679)**

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

In thousands of US dollars, unless otherwise stated

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2015
Operating activities			
Loss for the period before income taxes		**$(10,073)**	**$(26,825)**
Reconciling adjustments			
Depreciation and amortization of property and equipment and intangible assets		16,567	16,749
Loss on disposal of property and equipment		4	9
Share-based compensation	11	28	216
Shares issued in lieu of severance or consideration		-	1,123
Foreign exchange (gain) loss on financing transactions		(6,611)	19,003
Finance costs, net		15,845	14,080
Loss on disposal of speaker business	6	3,708	-
Working capital adjustments			
Decrease (increase) in trade and other receivables		1,868	(4,290)
(Increase) decrease in inventory		(973)	4,520
Decrease in trade and other payables		(9,714)	(14,968)
Increase in deferred revenue		4,989	4,579
		15,638	**14,196**
Income taxes paid		(59)	(91)
Interest received		5	6
Net cash flows from operating activities		**15,584**	**14,111**
Investing activities			
Purchase of property and equipment and intangible assets		(6,742)	(7,785)
Proceeds from disposal of speaker business, net		741	-
Proceeds from disposal of property, equipment and other assets		63	10
Net cash flows used in investing activities		**(5,938)**	**(7,775)**
Financing activities			
Repayment of borrowings		(588)	(588)
Dividends received from associates		294	-
Finance lease payments		(314)	(314)
Interest paid		(4,444)	(4,157)
Net cash flows used in financing activities		**(5,052)**	**(5,059)**
Net increase in cash		**4,594**	**1,277**
Net foreign exchange gain (loss) on cash balances		**388**	**(1,133)**
Cash at beginning of period		**17,326**	**25,573**
Cash at end of period		**$22,308**	**$25,717**

The accompanying notes form part of the interim consolidated financial statements

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

In thousands of US dollars, unless otherwise stated

	Notes	Share Capital	Contributed Surplus	Foreign Exchange Translation Reserve	Deficit	Total	Non-controlling Interests	Total Equity
As at January 1, 2016		**$328,807**	**$40,333**	**$6,765**	**$(499,640)**	**$(123,735)**	**$249**	**$(123,486)**
Loss for the period		-	-	-	(9,428)	(9,428)	(3)	**(9,431)**
Translation of foreign operations		-	-	(2,534)	-	(2,534)	-	**(2,534)**
Total comprehensive loss		**-**	**-**	**(2,534)**	**(9,428)**	**(11,962)**	**(3)**	**(11,965)**
Share-based compensation	11	-	28	-	-	28	-	28
As at March 31, 2016		**$328,807**	**$40,361**	**$4,231**	**$(509,068)**	**$(135,669)**	**$246**	**$(135,423)**

	Notes	Share Capital	Contributed Surplus	Foreign Exchange Translation Reserve	Deficit	Total	Non-controlling Interests	Total Equity
As at January 1, 2015		**$326,956**	**$34,373**	**$2,264**	**$(419,618)**	**$(56,025)**	**$230**	**$(55,795)**
Loss for the period		-	-	-	(26,968)	**(26,968)**	(3)	**(26,971)**
Translation of foreign operations		-	-	3,292	-	**3,292**	-	**3,292**
Total comprehensive income (loss)		**-**	**-**	**3,292**	**(26,968)**	**(23,676)**	**(3)**	**(23,679)**
Share-based compensation	11	-	216	-	-	**216**	-	**216**
Issue of share capital		1,123	-	-	-	**1,123**	-	**1,123**
As at March 31, 2015		**$328,079**	**$34,589**	**$5,556**	**$(446,586)**	**$(78,362)**	**$227**	**$(78,135)**

The accompanying notes form part of the interim consolidated financial statements

In thousands of US dollars, unless otherwise stated

1. Corporate information

Mood Media Corporation ("Mood Media" or the "Company") is a publicly traded company on the Toronto Stock Exchange and is domiciled and incorporated in Canada. The Company's registered office is located at 199 Bay Street, Toronto, Ontario, Canada.

The Company provides in-store audio, visual, mobile, voice, drive-thru, commercial TV, social and scent marketing solutions to a range of businesses including specialist retailers, department stores, supermarkets, financial institutions and fitness clubs, as well as hotels, car dealerships and restaurants. Proprietary technology and software are used to deploy music from a compiled music library to client sites. This library comes from a diverse network of producers including major labels and independent and emerging artists.

2. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Company's annual consolidated financial statements and notes for the year ended December 31, 2015. These interim condensed consolidated financial statements do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2015 and the accompanying notes.

All amounts are expressed in US dollars (unless otherwise specified), rounded to the nearest thousand.

These interim condensed consolidated financial statements of the Company were approved by the Audit Committee and authorized for issue on May 11, 2016.

3. Summary of estimates, judgments and assumptions

The preparation of the Company's interim condensed consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements. However, uncertainty about these estimates, judgments and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

There has been no substantial change in the Company's critical accounting estimates since the publication of the annual consolidated financial statements as at and for the year ended December 31, 2015.

In thousands of US dollars, unless otherwise stated

4. Summary of significant accounting policies

Basis of measurement and principles of consolidation

The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries after the elimination of intercompany balances and transactions. Investments in entities over which the Company exercises significant influence are accounted for using the equity method. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition. Non-controlling interests represent the portion of net earnings and net assets that are not held by the Company and are presented separately in the interim condensed consolidated statements of loss and comprehensive loss and within equity in the interim consolidated statements of financial position.

These interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are measured at fair value. Management assesses the Company's ability to continue as a going concern at each reporting date, using quantitative and qualitative information available.

New standards, interpretations and amendments thereof not yet effective

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

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

IFRS 9, *Financial Instruments: Classification and Measurement*

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

IFRS 15, *Revenue from Contracts with Customers*

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

IFRS 15 also significantly expands the current disclosure requirements about revenue recognition.

In thousands of US dollars, unless otherwise stated

4. Summary of significant accounting policies (continued)

IFRS 15, *Revenue from Contracts with Customers (continued)*

The IASB has decided to defer the effective date of this standard by one year. As a result, IFRS 15 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company has commenced a review process to assess any impact on its current revenue recognition policies and reporting processes.

IFRS 16, *Leases*

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

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The Company has commenced a review process to assess the impact on its current lease recognition policies.

5. Revenue

The composition of revenue is as follows:

	Three months ended March 31, 2016	**Three months ended March 31, 2015**
Rendering of services	$77,059	$79,910
Sale of goods	33,630	33,679
Royalties	646	666
	$111,335	**$114,255**

In thousands of US dollars, unless otherwise stated

6. Other expenses

	Three months ended March 31, 2016	Three months ended March 31, 2015
Transaction costs (i)	$213	$140
Restructuring and integration costs (ii)	2,143	894
Settlements and resolutions	-	(137)
Net loss on disposal of certain assets (iii)	3,708	-
	$6,064	**$897**

(i) Transaction costs incurred during the three months ended March 31, 2016 and March 31, 2015 primarily relate to costs associated with prior acquisitions.

	Three months ended March 31, 2016	Three months ended March 31, 2015
Legal, professional, and consultant fees	$132	$140
Technomedia contingent consideration and related expenses (a)	81	**-**
	$213	**$140**

(a) The amended Technomedia contingent consideration earn-out and related expenses incurred are in connection with the amendment of the securities purchase agreement for Technomedia on October 7, 2014. Contingent consideration is discussed further in note 10.

(ii) Restructuring and integration costs consist of severance costs, information technology integration, relocation expenses, real estate consolidation, rebranding and other integration and transition activities. These restructuring and integration activities are a result of integrating various businesses and acquisitions.

	Three months ended March 31, 2016	Three months ended March 31, 2015
Severance costs	$1,404	$139
Other integration costs	739	755
	$2,143	**$894**

(iii) On March 30, 2015, the Company completed the sale of assets related to its speaker business. The $3,708 loss recognized included goodwill and intangibles attributed to the assets sold totaling $210 and $1,659 respectively. The Company agreed to an inventory purchase commitment totaling €2,700 over a period of three years with a minimum purchase of €800 during each year, consistent with past purchase volumes and future expected inventory requirements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
For the three months ended March 31, 2016

In thousands of US dollars, unless otherwise stated

7. Finance costs, net

	Three months ended March 31, 2016	Three months ended March 31, 2015
Interest expense	$13,870	$13,304
Change in fair value of financial instruments (i)	1,242	(56)
Other finance costs, net (ii)	733	832
	$15,845	**$14,080**

(i) Change in fair value of financial instruments consists of:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Interest rate floor under 2014 First Lien Credit Facility (a)	$1,066	$309
Euro forward contract (b)	-	(337)
USD forward contracts (c)	176	-
Prepayment option on 9.25% Notes (d)	-	(28)
	$1,242	**$(56)**

(a) The 2014 First Lien credit agreement includes an interest rate floor that is considered to be an embedded derivative.

(b) During the three months ended March 31, 2015 the Company entered into Euro forward contracts as further described in note 10.

(c) During the three months ended March 31, 2016 the Company entered into two USD forward contracts as further described in note 10.

(d) The Company has the right to prepay the 9.25% Senior Unsecured Notes. The prepayment option is considered an embedded derivative under IFRS.

All financial instruments are fair valued at each reporting date with the change in fair value recognized within finance costs, net.

(ii) Other finance costs, net consist of:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Accretion interest on convertible debentures	$-	$473
Accretion of 9.25% Senior Unsecured Notes	278	277
Accretion of debt related to MMG notes	303	-
Accretion of debt related to 2014 interest rate floor	190	192
Amortization of debt premium arising from prepayment options	(103)	(99)
Other	65	(11)
	$733	**$832**

In thousands of US dollars, unless otherwise stated

8. Income taxes

	Three months ended March 31, 2016	Three months ended March 31, 2015
Current tax expense		
Current taxes on income for the period	$487	$664
Total current taxes	**487**	**664**
Deferred tax expense		
Origination and reversal of temporary differences	(1,129)	(518)
Total deferred tax recovery	**(1,129)**	**(518)**
Total income tax charge (recovery)	**$(642)**	**$146**

9. Loans and borrowings

	March 31, 2016	December 31, 2015
Due in less than one year:		
2014 First Lien Credit Facilities	$2,350	$2,350
2014 First Lien Revolving Facility	6,000	6,000
	8,350	**8,350**
Due in more than one year:		
9.25% Senior Unsecured Notes	350,000	350,000
Unamortized discount – financing costs	(5,131)	(5,409)
Unamortized premium – prepayment option	1,811	1,910
	346,680	**346,501**
MMG Notes (i)	50,000	50,000
Unamortized discount – financing costs	(10,366)	(10,268)
Unamortized premium – prepayment option	101	113
	39,735	**39,845**
2014 First Lien Credit Facilities	227,951	228,538
Unamortized discount – 2014 interest rate floor	(2,383)	(2,574)
	225,568	**225,964**
	611,983	**612,310**
Total loans and borrowings	**$620,333**	**$620,660**

Loans and borrowing terms:	**MMG Notes**	**2014 First Lien Credit Facilities**	**9.25% Senior Unsecured Notes**
Closing date	August 6, 2015	May 1, 2014	October 19, 2012
Maturity date	August 6, 2023	May 1, 2019	October 15, 2020
Interest rate	10%	7%	9.25%
Effective interest rate	12.52%	7.74%	9.46%

In thousands of US dollars, unless otherwise stated

9. Loans and borrowings (continued)

As at March 31, 2016, the Company had available $7,510 under the 2014 Revolving Credit Facility and outstanding letters of credit of $1,490. The 2014 First Lien Credit Facilities are subject to the maintenance of financial covenants and the Company was in compliance with its covenants as at March 31, 2016.

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

In connection with the issuance of the MMG Notes the Company is subject to certain covenants including, but not limited to, restrictions on mergers and sales of assets, restricted payments and restrictions on debt and lien incurrence. In addition, selected consolidation information for MMG and its subsidiaries is presented below to comply with certain disclosure requirements of the MMG Notes indenture. This information has been extracted from the MMG consolidated financial statements that have been prepared in accordance with IFRS and following accounting policies consistent with the Company's accounting policies. MMG's consolidated financial statements do not include adjustments related to the Company's purchase price allocation related to the Company's acquisition of MMG or its subsidiaries.

MMG's Consolidated Statement of Financial Position

	Three months ended March 31, 2016
ASSETS	
Net intercompany trade balances	$480
Current assets	67,105
Property, plant and equipment	11,111
Goodwill and intangible assets	75,386
Other long-term assets	8,118
Total assets	**162,200**
LIABILITIES AND EQUITY	
Other current liabilities	57,764
Long-term debt	39,735
Intercompany long-term debt	142,029
Other long-term liabilities	3,256
Non-controlling interest	206
Equity attributable to owners of MMG (i)	(80,790)
Total liabilities and equity	**$162,200**

(i) Equity attributable to owners of MMG is prepared upon a consolidation basis in accordance with IFRS and does not equate to the aggregate of the legal entities' stated share capital or equity within MMG.

In thousands of US dollars, unless otherwise stated

9. Loans and borrowings (continued)

MMG's Consolidated Statement of Loss

	Three months ended March 31, 2016
Revenue	**$41,559**
Expenses	
Cost of sales	19,341
Operating expenses	17,145
Depreciation and amortization	2,143
Other expenses	1,917
Foreign exchange gain on financing transactions	(6,187)
Finance costs, net	4,068
Loss on sale of operations	2,760
Income tax charge	280
Gain for the period	**92**
Segment profit (i)	**$5,073**

(i) Segment profit is a non-GAAP metric internally referred to by management as Adjusted EBITDA and is prepared on a consistent basis. Adjusted EBITDA is considered by executive management as one of the key drivers for the purpose of making decisions about performance assessment and resource allocation of each operating segment. It is calculated by reducing revenue by cost of sales and operating expenses. The non-GAAP measure does not have a standardized meaning and therefore is unlikely to be comparable to similarly titled measures reported by other companies. MMG's segment profit is substantially the same as the collective segment profit of In-store media International and BIS operating segments excluding inter-group revenue and expenses and certain subsidiaries, individually and in the aggregate considered to be immaterial, that are not MMG subsidiaries. Except for finance costs, net, foreign exchange gain on financing transactions and inter-group management charges that are included in other expenses, there are no significant inter-group transactions that have a significant net impact on segment profit in MMG's consolidated statement of loss.

Reconciliation of segment profit to loss for the period:

	Three months ended March 31, 2016
Segment profit	**$5,073**
Depreciation and amortization	2,143
Other expenses	1,917
Foreign exchange gain on financing transactions	(6,187)
Finance costs, net	4,068
Loss on sale of operations	2,760
Income tax charge	280
Gain for the period	**$92**

In thousands of US dollars, unless otherwise stated

9. Loans and borrowings (continued)

MMG's Consolidated Statement of Cash Flows

	Three months ended March 31, 2016
Net cash flows used in operating activities	$(731)
Net cash flows used in investing activities	(762)
Net cash flows from financing activities	272
Net decrease in cash	**(1,221)**
Net foreign exchange gain on cash balances	**388**
Cash at beginning of period	**9,427**
Cash at end of period	**$8,594**

10. Other financial assets and financial liabilities

	March 31, 2016	December 31, 2015
Other financial assets		
Prepayment option – MMG Notes	$3	$3
Total other financial assets	**$3**	**$3**
Due in more than one year	$3	$3
Total other financial assets	**$3**	**$3**
Other financial liabilities		
Finance leases	$3,265	$3,413
Forward contracts	176	-
2014 interest rate floor	2,360	1,294
Technomedia contingent consideration (i)	5,306	5,224
Total other financial liabilities	**$11,107**	**$9,931**
Due in less than one year	$6,864	$6,848
Due in more than one year	4,243	3,083
Total other financial liabilities	**$11,107**	**$9,931**

(i) On October 7, 2014, the Company amended the securities purchase agreement for Technomedia. The amendment revised the existing contingent consideration earn-out by stipulating that for the calendar year 2014 and each of the following three years, a cash payment equal to a percentage of the Technomedia's earnings would be payable in the event that Technomedia achieves certain performance thresholds. The Company records this potential contingent consideration at its fair value at each reporting period by using the probability of expected outcomes. The change in fair value of the Technomedia contingent consideration earn-out is included within other expenses in the consolidated statements of loss (note 6).

In thousands of US dollars, unless otherwise stated

10. Other financial assets and financial liabilities (continued)

Currency risk

The functional currency of the Company is US dollars. Currency risk arises because the amount of the local currency revenue, 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 currency exposure arises from the Euro currency. Certain of the Company's foreign subsidiaries hold intercompany loans denominated in US dollars rather than their functional currencies. For the three months ended March 31, 2016, the gain recognized in foreign exchange gain on financing transactions was $6,611 (March 31, 2015 – $19,003 loss). A 1% movement in the EUR/USD exchange rate applied to balances outstanding at March 31, 2016 would, all else being equal, result in a change to the foreign exchange gain or loss on intercompany financing transactions of approximately $1,400.

During the three months ended March 31, 2016, a subsidiary of the Company with the functional currency of British Pounds entered into two USD forward contracts with a notional amount equal to the interest payments related to the MMG Notes. 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. The 2016 and 2015 contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by counterparties.

March 31, 2016 currency contracts
The following USD forward contracts are reflected as a change in fair value included within finance costs, net. The loss reflected for the three months ended March 31, 2016 was $176.

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

March 31, 2015 currency contracts
The following is a table of the Euro and AUD average rate forward contracts of the Company. The changes in fair value were included within operating costs. For the three months ended March 31, 2015, the amount of gain reflected as a contra expense was $1,285.

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

In thousands of US dollars, unless otherwise stated

10. Other financial assets and financial liabilities (continued)

Currency risk (continued)

The following Euro cash remittance forward contract was reflected as a change in fair value included within finance costs, net. The gain reflected for the three months ended March 31, 2015 was $337.

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

Fair value

The book values of the Company's financial assets and financial liabilities approximate the fair values of such items as at March 31, 2016, with the following exceptions summarized below:

	March 31, 2016	**December 31, 2015**
9.25% Senior Unsecured Notes		
Book value	$346,680	$346,501
Fair value	$233,625	$227,500

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques used to determine such fair values.

Fair value as at March 31, 2016	**Total**	**Level 1 Quoted prices in active markets for identical assets**	**Level 2 Significant other observable inputs**	**Level 3 Significant unobservable inputs**
2014 First Lien Interest rate floor	$(2,360)	$-	$(2,360)	$-
Prepayment option – MMG Notes	3	-	3	-
USD forward contracts	(176)	-	(176)	-

Fair value as at December 31, 2015	**Total**	**Level 1 Quoted prices in active markets for identical assets**	**Level 2 Significant other observable inputs**	**Level 3 Significant unobservable inputs**
2014 First Lien Interest rate floor	$(1,294)	$-	$(1,294)	$-
Prepayment option – MMG Notes	3	-	3	-

There have been no transfers between any levels of the fair value hierarchy during the three months ended March 31, 2016 or during the comparative period. There were also no changes in the purpose of any financial asset or liability that subsequently resulted in a different classification of that asset or liability.

In thousands of US dollars, unless otherwise stated

11. Share-based compensation

Equity-settled share options

The Company has a share option plan for its employees, directors and consultants, whereby share options may be granted subject to certain terms and conditions. The issuance of share options is determined by the Board of Directors of the Company. The aggregate number of shares of the Company that may be issued under the Plan is limited to 10% of the number of issued and outstanding common shares at the time. The exercise price of share options must not be less than the fair market value of the common shares on the date that the option is granted. Share options issued under the 2014 option plan vest at the rate of 33.3% on each of the three subsequent anniversaries of the grant date and are subject to the recipient remaining employed with the Company. All of the vested share options must be exercised no later than five years after the grant date. With the adoption of the Company's 2014 share option plan, on May 13, 2014, no further grants of options were made pursuant to the former option plans. Options previously granted under former plans will continue to vest. The Company uses the Black-Scholes option pricing model to determine the fair value of options issued.

The share-based compensation expense recognized for the three months ended March 31, 2016 relating to equity-settled share and option transactions was $28 (three months ended March 31, 2015 was $216).

Changes in the number of options, with their weighted average exercise prices, are summarized below:

		March 31, 2016		March 31, 2015
	Number	**price**	**Number**	**price**
Outstanding at beginning of year	**14,143,300**	**$1.22**	**15,333,300**	**$1.32**
Forfeited/cancelled during the period	(3,400,000)	2.56	(61,250)	1.08
Outstanding at end of period	**10,743,300**	**0.79**	**15,272,050**	**1.33**
Exercisable at end of period	**6,560,793**	**$0.90**	**7,120,800**	**$1.83**

The following information relates to share options that were outstanding as at March 31, 2016:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.00-$0.30	100,000	2.68	$0.21
$0.31-$1.50	9,918,300	4.99	0.70
$1.51-$2.50	525,000	4.49	1.75
$2.51-$3.50	200,000	5.65	2.96
	10,743,300	**4.96**	**$0.79**

In thousands of US dollars, unless otherwise stated

11. Share-based compensation (continued)

Deferred Share Units

Effective May 7, 2015, the Company adopted a Deferred Share Unit ("DSU") plan for directors and employees of the Company and its subsidiaries. The issuance of DSUs is determined by the Board of Directors of the Company. The aggregate number of DSUs that may be issued under the DSU plan together with the Option plan is limited to 10% of the total number of common shares issued and outstanding of the Company. DSUs issued specifically to non-employee directors have additional limitations. The number of DSUs that a non-employee director is entitled to receive in a fiscal year is based upon the percentage of their annual retainer that the participant has elected to receive in DSUs multiplied by the portion of their annual retainer divided by the share price.

A DSU is equal in value to one common share of the Company. The shares are issued on the basis of the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five consecutive trading days immediately preceding the date of issue. Additional DSUs are credited to reflect dividends paid on common shares. The Company uses the Black-Scholes option pricing model with market related inputs to determine the fair value of DSUs granted. DSUs granted to employees of the Company vest and are payable at the rate of 33.3% on each of the three subsequent anniversaries of the grant date and are subject to the participant remaining employed with the Company. DSUs granted to non-employee directors vest immediately and are payable upon the participant ceasing to hold any position as a director or employee.

Non-U.S. participants are entitled to redeem their DSUs for (a) common shares, net of withholdings, (b) as a cash payment equal to the fair market value of the equivalent number of common shares, net of withholdings, or (c) a percentage of each. For DSUs granted to Non-U.S. participants that are non-employee directors, a liability and an operating expense are recorded in the year DSUs are granted at fair market value and changes in the fair market value of outstanding DSUs at each reporting date are recorded as an operating expense in the period that they occur. DSUs granted to Non-U.S. participants that are employees of the Company are expensed using the straight-line method for each individual tranche over the vesting period to operating expense. The offsetting entry to operating expense is an increase to liabilities in trade and other payables within the interim consolidated statement of financial position. The liability is measured initially, and subsequently fair valued at each reporting date through operating expenses until the liability is redeemed.

U.S. participants are only entitled to receive their DSUs in the form of a cash payment equal to the fair market value of the equivalent number of common shares, net of withholdings, however, the Company may elect to make all or any portion of such payment in the form of common shares. DSUs granted at fair market value to U.S. participants that are non-employee directors are expensed immediately to share-based compensation expense with the offset to contributed surplus. DSUs granted at fair market value to US participants that are employees of the Company are expensed using the straight-line method for each individual tranche over the vesting period to share-based compensation expense. The offsetting entry to share-based compensation expense is an increase to contributed surplus. Any changes to fair market value at the time of redemption are also recorded as share-based compensation.

In thousands of US dollars, unless otherwise stated

11. Share-based compensation (continued)

The operating expense recognized for the three months ended March 31, 2016 relating to DSU transactions was a credit of $5 (three months ended March 31, 2015 was nil). The share-based compensation expense recognized for the three months ended March 31, 2016 relating to DSU transactions was $104 (three months ended March 31, 2015 was nil).

A summary of DSU transactions during the period are as follows:

	March 31, 2016 Number	March 31, 2015 Number
Outstanding at beginning of the year and end of period	**3,542,284**	**-**
Vested at end of period	**210,693**	**-**

As at March 31, 2016, the 3,542,284 units outstanding consisted of 523,974 liability awards valued at $26 and 3,018,310 equity awards (March 31, 2015 – no units were outstanding).

Warrants

The following warrants were outstanding as at March 31, 2016:

	Number	Exercise price	Expiry date
Muzak acquisition warrants	4,407,543	US $3.50	May 2016
MMG Warrants	21,700,000	CAD $0.80	August 2023

Warrants are recorded at the time of the grant for an amount based on the Black-Scholes option pricing model, which is affected by the Company's share price, as well as assumptions regarding a number of subjective variables.

12. Contingencies

From time to time, the Company encounters disputes and is sometimes subject to claims from third parties in relation to its normal course of operations. The Company generally believes the claims to be without merit and will consult with its legal counsel to vigorously defend its position. The aggregate provision for various claims at March 31, 2016 was immaterial.

On April 2, 2015, SoundExchange filed suit against Muzak LLC in the U.S. District Court for the District of Columbia alleging that Muzak underpaid royalties for its consumer residential music channels for satellite and cable television subscribers. On March 8, 2016, the court granted Muzak's Motion to Dismiss and dismissed the case; however, SoundExchange filed a notice appealing the court's ruling on April 5, 2016. Mood Media believes that SoundExchange's position is without merit, and Mood Media will continue to vigorously defend itself in this matter.

In thousands of US dollars, unless otherwise stated

13. Shareholders' equity

Share capital

Share capital represents the number of common shares outstanding.

As at March 31, 2016, an unlimited number of common shares with no par value were authorized. There were no changes to share capital during the three months ended March 31, 2016.

	Number of Shares	Amount
Balance as at December 31, 2015 and March 31, 2016	**183,694,082**	**$328,807**

Deficit

Deficit represents the accumulated loss of the Company attributable to the shareholders to date.

14. Goodwill

Balance as at January 1, 2015	**$245,543**
Impairment	(25,000)
Net foreign exchange differences	(6,564)
Balance as at December 31, 2015	**$213,979**
Sale of assets	(210)
Net foreign exchange differences	1,308
Balance as at March 31, 2016	**$215,077**

In 2015, the Company recognized an impairment charge of $25,000 on the goodwill allocated to Mood International.

In 2016, the decrease in goodwill relates to the Company's sale of assets related to its speaker business. In connection with the sale, goodwill was reduced by $210, the amount attributed to the assets sold.

In thousands of US dollars, unless otherwise stated

15. Segment information

In-store media - North America

The Company's In-store media - North America's operations are based in the United States, Canada and Latin America.

In-store media - International

The Company's In-store media - International's operations are based in Europe, Asia and Australia.

BIS

BIS is the Company's large-scale audio-visual design and integration subsidiary that focuses on corporate and commercial applications. BIS's operations are based in Europe.

Other

The Company's other reportable segment includes its corporate activities and Technomedia, which do not fit in the three reportable segments described above. Technomedia provides audio-visual technology and design for large-scale commercial applications. Technomedia is based in the United States.

Three months ended March 31, 2016

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	$62,612	$27,909	$13,299	$7,515	$111,335
Expenses					
Cost of sales	27,449	11,332	7,740	5,442	51,963
Operating expenses	16,689	12,373	4,741	3,749	37,552
Segment profit (loss) (i)	**$18,474**	**$4,204**	**$818**	**$(1,676)**	**$21,820**

Three months ended March 31, 2015

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	$65,196	$27,931	$13,058	$8,070	$114,255
Expenses					
Cost of sales	29,022	11,512	7,809	5,901	54,244
Operating expenses	16,576	12,832	4,542	1,941	35,891
Segment profit (i)	**$19,598**	**$3,587**	**$707**	**$228**	**$24,120**

In thousands of US dollars, unless otherwise stated

15. Segment information (continued)

Reconciliation of segment profit to Consolidated Group loss for the period before taxes

	Three months ended March 31, 2016	Three months ended March 31, 2015
Segment profit (i)	**$21,820**	**$24,120**
Depreciation and amortization	16,567	16,749
Share-based compensation	28	216
Other expenses	6,064	897
Foreign exchange (gain) loss on financing transactions	(6,611)	19,003
Finance costs, net	15,845	14,080
Loss for the period before income taxes	**$(10,073)**	**$(26,825)**

(i) Segment profit is a non-GAAP metric internally referred to by management as Adjusted EBITDA and is prepared on a consistent basis. Adjusted EBITDA is considered by executive management as one of the key drivers for the purpose of making decisions about performance assessment and resource allocation of each operating segment. It is calculated by reducing revenue by cost of sales and operating expenses. The non-GAAP measure does not have a standardized meaning, and therefore unlikely to be comparable to similarly titled measures reported by other companies.

Geographic areas

Revenue is derived from the following geographic areas based on where the customer is located:

	Three months ended March 31, 2016	Three months ended March 31, 2015
US	$69,529	$71,591
Canada	326	81
Netherlands	11,945	11,194
Other international	29,535	31,389
Total revenue	**$111,335**	**$114,255**

Non-current assets

Non-current assets are derived from the following geographic areas based on the location of the individual subsidiaries of the Company:

	March 31, 2016	December 31, 2015
US	$370,154	$376,916
International	116,530	118,519
Total non-current assets	**$486,684**	**$495,435**