

Interim Condensed Consolidated Financial Statements

**Mood Media Corporation**

Unaudited

For the three months ended March 31, 2015

# Mood Media Corporation

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### Unaudited

In thousands of US dollars, unless otherwise stated

	Notes	March 31, 2015	December 31, 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$25,717	\$25,573
Restricted cash		905	405
Trade and other receivables, net		97,778	97,258
Income taxes recoverable		1,903	2,280
Inventory		25,939	30,503
Prepayments and other assets		15,641	11,578
Deferred costs		8,869	8,346
<b>Total current assets</b>		<b>176,752</b>	<b>175,943</b>
<b>Non-current assets</b>			
Deferred costs		8,150	9,103
Property and equipment, net		43,566	45,755
Other assets		723	768
Intangible assets		247,335	263,255
Goodwill	15	238,696	245,543
<b>Total assets</b>		<b>715,222</b>	<b>740,367</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		103,861	109,631
Income taxes payable		1,439	1,127
Deferred revenue		22,923	15,822
Other financial liabilities	10	5,845	6,151
Current portion of long-term debt	9	51,474	51,001
<b>Total current liabilities</b>		<b>185,542</b>	<b>183,732</b>
<b>Non-current liabilities</b>			
Deferred revenue		4,052	6,536
Deferred tax liabilities		27,404	29,624
Other financial liabilities	10	3,238	2,931
Long-term debt	9	573,121	573,339
<b>Total liabilities</b>		<b>793,357</b>	<b>796,162</b>
<b>Equity</b>			
Share capital	13	328,079	326,956
Contributed surplus		34,589	34,373
Foreign exchange translation reserve		5,556	2,264
Deficit		(446,586)	(419,618)
<b>Equity attributable to owners of the parent</b>		<b>(78,362)</b>	<b>(56,025)</b>
Non-controlling interests		227	230
<b>Total equity</b>		<b>(78,135)</b>	<b>(55,795)</b>
<b>Total liabilities and equity</b>		<b>\$715,222</b>	<b>\$740,367</b>

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

	Notes	Three months ended March 31, 2015	Three months ended March 31, 2014
<b>Revenue</b>	5	<b>\$114,255</b>	<b>\$122,990</b>
<b>Expenses</b>			
Cost of sales		54,244	57,424
Operating expenses		35,891	42,216
Depreciation and amortization		16,749	18,514
Share-based compensation	11	216	816
Other expenses (income)	6	897	(635)
Foreign exchange loss (gain) on financing transactions	10	19,003	(1,006)
Finance costs, net	7	14,080	13,726
<b>Loss for the period before income taxes</b>		<b>(26,825)</b>	<b>(8,065)</b>
Income tax charge (credit)	8	146	(569)
<b>Loss for the period</b>		<b>(26,971)</b>	<b>(7,496)</b>
<b>Net loss attributable to:</b>			
Owners of the parent		(26,968)	(7,503)
Non-controlling interests		(3)	7
		<b>\$(26,971)</b>	<b>\$(7,496)</b>
<b>Net loss per share attributable to shareholders</b>			
Basic and diluted		\$(0.15)	\$(0.04)
Weighted average number of shares outstanding – basic and diluted		<b>180,099</b>	<b>171,749</b>
<b>Loss for the period</b>		<b>\$(26,971)</b>	<b>\$(7,496)</b>
<b>Items that may be reclassified subsequently to the loss for the period:</b>			
Exchange gain on translation of foreign operations		(3,292)	(856)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(3,292)</b>	<b>(856)</b>
<b>Total comprehensive loss for the period, net of tax</b>		<b>(23,679)</b>	<b>(8,352)</b>
<b>Comprehensive loss attributable to:</b>			
Owners of the parent		(23,676)	(8,359)
Non-controlling interests		(3)	7
		<b>\$(23,679)</b>	<b>\$(8,352)</b>

*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, 2015	Three months ended March 31, 2014
<b>Operating activities</b>		
Loss for the period before income taxes	\$(26,825)	\$(8,065)
<b>Reconciling adjustments</b>		
Depreciation of property and equipment	5,956	6,853
Amortization of intangible assets and goodwill	10,794	11,661
Loss (gain) on disposal of property and equipment	8	(107)
Share-based compensation	216	816
Shares issued in lieu of severance or consideration	1,123	61
Foreign exchange loss (gain) on financing transactions	19,003	(1,006)
Finance costs, net	14,080	13,726
Gain on disposal of Latin America assets	-	(3,541)
<b>Working capital adjustments</b>		
(Increase) decrease in trade and other receivables	(4,290)	3,689
Decrease (increase) in inventory	4,520	(359)
Decrease in trade and other payables	(14,968)	(13,801)
Increase in deferred revenue	4,579	8,534
	<b>14,196</b>	<b>18,461</b>
Income taxes paid	(91)	(1,378)
Interest received	6	11
<b>Net cash flows from operating activities</b>	<b>14,111</b>	<b>17,094</b>
<b>Investing activities</b>		
Purchase of property and equipment and intangible assets	(7,785)	(9,563)
Proceeds from disposal of Latin America assets	-	10,000
Proceeds from disposal of property, equipment and other assets	10	157
<b>Net cash flows (used in) from investing activities</b>	<b>(7,775)</b>	<b>594</b>
<b>Financing activities</b>		
Repayment of borrowings	(588)	(533)
Proceeds from exercise of share options	-	48
Finance lease payments	(314)	(348)
Interest paid	(4,157)	(3,902)
<b>Net cash flows used in financing activities</b>	<b>(5,059)</b>	<b>(4,735)</b>
<b>Net increase in cash</b>	<b>1,277</b>	<b>12,953</b>
<b>Net foreign exchange loss</b>	<b>(1,133)</b>	<b>(229)</b>
<b>Cash at beginning of period</b>	<b>25,573</b>	<b>22,410</b>
<b>Cash at end of period</b>	<b>\$25,717</b>	<b>\$35,134</b>

The accompanying notes form part of the interim consolidated financial statements

# Mood Media Corporation

## INTERIM CONSOLIDATED STATEMENT 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
<b>As at January 1, 2015</b>		<b>\$326,956</b>	<b>\$34,373</b>	<b>\$2,264</b>	<b>\$(419,618)</b>	<b>\$(56,025)</b>	<b>\$230</b>	<b>\$(55,795)</b>
Loss for the period		-	-	-	(26,968)	(26,968)	(3)	(26,971)
Translation of foreign operations		-	-	3,292	-	3,292	-	3,292
<b>Total comprehensive income (loss)</b>		<b>-</b>	<b>-</b>	<b>3,292</b>	<b>(26,968)</b>	<b>(23,676)</b>	<b>(3)</b>	<b>(23,679)</b>
Share-based compensation		-	216	-	-	216	-	216
Issue of share capital	13	1,123	-	-	-	1,123	-	1,123
<b>As at March 31, 2015</b>		<b>\$328,079</b>	<b>\$34,589</b>	<b>\$5,556</b>	<b>\$(446,586)</b>	<b>\$(78,362)</b>	<b>\$227</b>	<b>\$(78,135)</b>

	Notes	Share Capital	Contributed Surplus	Foreign Exchange Translation Reserve	Deficit	Total	Non- controlling Interests	Total Equity
<b>As at January 1, 2014</b>		<b>\$323,318</b>	<b>\$33,209</b>	<b>\$5,656</b>	<b>\$(337,176)</b>	<b>\$25,007</b>	<b>\$228</b>	<b>\$25,235</b>
Loss for the period		-	-	-	(7,503)	(7,503)	7	(7,496)
Translation of foreign operations		-	-	(856)	-	(856)	-	(856)
<b>Total comprehensive income (loss)</b>		<b>-</b>	<b>-</b>	<b>(856)</b>	<b>(7,503)</b>	<b>(8,359)</b>	<b>7</b>	<b>(8,352)</b>
Share-based compensation		-	586	-	-	586	-	586
Issue of share capital		292	-	-	-	292	-	292
Exercise of share options		48	-	-	-	48	-	48
<b>As at March 31, 2014</b>		<b>\$323,658</b>	<b>\$33,795</b>	<b>\$4,800</b>	<b>\$(344,679)</b>	<b>\$17,574</b>	<b>\$235</b>	<b>\$17,809</b>

The accompanying notes form part of the interim consolidated financial statements

# **Mood Media Corporation**

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Unaudited**

**For the three months ended March 31, 2015**

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, 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, 2014. 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, 2014 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 12, 2015.

### **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, 2014.

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

### 4. Summary of significant accounting policies

#### 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 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. The IASB plans to issue an exposure draft on its decision to propose a one-year deferral of the effective date of IFRS 15. As a result, IFRS 15 would be effective for annual 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.

### 5. Revenue

The composition of revenue is as follows:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Rendering of services	\$79,910	\$84,316
Sale of goods	33,679	37,958
Royalties	666	716
	<b>\$114,255</b>	<b>\$122,990</b>

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited

### For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

#### 6. Other expenses

	Three months ended March 31, 2015	Three months ended March 31, 2014
Transaction costs (i)	\$140	\$430
Restructuring and integration costs (ii)	894	2,476
Settlements and resolutions	(137)	-
Net gain on disposal of certain assets (iii)	-	(3,541)
	<b>\$897</b>	<b>\$(635)</b>

(i) Transaction costs incurred during the three months ended March 31, 2015 and March 31, 2014 primarily relate to costs associated with prior acquisitions.

	Three months ended March 31, 2015	Three months ended March 31, 2014
Legal, professional, and consultant fees	\$140	\$351
Technomedia contingent consideration and related expenses	-	79
	<b>\$140</b>	<b>\$430</b>

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
Severance costs	\$139	\$623
Arrangements that have no further utility	80	356
Other integration costs	675	1,497
	<b>\$894</b>	<b>\$2,476</b>

(iii) On January 10, 2014, the Company completed the sale of assets related to its residential Latin America music operations. The gain calculation includes an estimate of the fair value of consideration to be recorded depending on the outcome of certain future performance criteria in 2015.

#### 7. Finance costs, net

	Three months ended March 31, 2015	Three months ended March 31, 2014
Interest expense	\$13,304	\$13,271
Change in fair value of financial instruments (i)	(56)	(1,041)
Other finance costs, net (ii)	832	1,496
	<b>\$14,080</b>	<b>\$13,726</b>



# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

### 7. Finance costs, net (continued)

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
Interest rate floor under 2011 First Lien Credit Facility (a)	\$-	\$(584)
Interest rate floor under 2014 First Lien Credit Facility (a)	309	-
Forward contracts (b)	(337)	-
Prepayment option on 9.25% Notes (c)	(28)	(457)
	<b>\$(56)</b>	<b>\$(1,041)</b>

(a) In connection with the extinguishment of the Company's 2011 First Lien Credit Facilities on May 1, 2014, the Company extinguished the liability related to the 2011 interest rate floor embedded derivative.

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 a Euro forward contract as further described in note 10.

(c) 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, 2015	Three months ended March 31, 2014
Accretion interest on convertible debentures	\$473	\$733
Accretion of 2011 First Lien Credit Facilities	-	376
Accretion of 9.25% Senior Unsecured Notes	277	276
Accretion of debt related to 2011 interest rate floor	-	221
Accretion of debt related to 2014 interest rate floor	192	-
Amortization of debt premium arising from prepayment option	(99)	(99)
Other	(11)	(11)
	<b>\$832</b>	<b>\$1,496</b>

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

### 8. Income taxes

	Three months ended March 31, 2015	Three months ended March 31, 2014
<b>Current tax expense</b>		
Current taxes on income for the period	\$664	\$1,116
<b>Total current taxes</b>	<b>664</b>	<b>1,116</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(518)	(1,685)
<b>Total deferred tax credit</b>	<b>(518)</b>	<b>(1,685)</b>
<b>Total income tax charge (credit)</b>	<b>\$146</b>	<b>\$(569)</b>

### 9. Loans and borrowings

	March 31, 2015	December 31, 2014
<b>Due in less than one year:</b>		
2014 First Lien Credit Facilities	\$2,350	\$2,350
10% Unsecured convertible debentures	49,124	48,651
	<b>\$51,474</b>	<b>\$51,001</b>
<b>Due in more than one year:</b>		
9.25% Senior Unsecured Notes	350,000	350,000
Unamortized discount – financing costs	(6,240)	(6,517)
Unamortized premium – prepayment option	2,207	2,306
	<b>345,967</b>	<b>345,789</b>
2014 First Lien Credit Facilities	230,300	230,888
Unamortized discount – 2014 interest rate floor	(3,146)	(3,338)
	<b>227,154</b>	<b>227,550</b>
	<b>573,121</b>	<b>573,339</b>
<b>Total loans and borrowings</b>	<b>\$624,595</b>	<b>\$624,340</b>

#### Loans and borrowing Terms:

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

As at March 31, 2015, the Company had available \$13,160 under the 2014 Revolving Credit Facility and outstanding letters of credit of \$1,840. 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, 2015.

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

### 9. Loans and borrowings (continued)

Unsecured convertible debentures: Reconciliation of carrying value and principal outstanding

	New Debentures	Consideration Debentures	Convertible Debentures	Total
Carrying value as at March 31, 2015	\$31,275	\$4,595	\$13,254	\$49,124
Unamortized balance	847	49	246	1,142
<b>Principal outstanding as at March 31, 2015</b>	<b>\$32,122</b>	<b>\$4,644</b>	<b>\$13,500</b>	<b>\$50,266</b>

The unamortized balance for the New Debentures includes unamortized financing costs as at March 31, 2015 of \$207 (December 31, 2014 - \$311).

### 10. Other financial assets and financial liabilities

	March 31, 2015	December 31, 2014
<b>Other financial assets</b>		
Prepayment option	\$43	\$14
Euro and AUD forward contracts	1,487	-
<b>Total other financial assets</b>	<b>\$1,530</b>	<b>\$14</b>
Due in less than one year	\$1,487	\$-
Due in more than one year	43	14
<b>Total other financial assets</b>	<b>\$1,530</b>	<b>\$14</b>
<b>Other financial liabilities</b>		
Finance leases	\$350	\$657
2014 interest rate floor	3,233	2,925
Technomedia contingent consideration	5,500	5,500
<b>Total other financial liabilities</b>	<b>\$9,083</b>	<b>\$9,082</b>
Due in less than one year	\$5,845	\$6,151
Due in more than one year	3,238	2,931
<b>Total other financial liabilities</b>	<b>\$9,083</b>	<b>\$9,082</b>

#### Currency risk

The Company operates in the US, Canada and internationally. 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").

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited

### For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

## 10. Other financial assets and financial liabilities (continued)

### Currency risk (continued)

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, 2015, the loss recognized in foreign exchange loss (gain) on financing transactions was \$19,003 (March 31, 2014 – \$1,006 gain). Fluctuations of plus or minus \$0.05/€ would have, everything else being equal, affected foreign exchange loss (gain) on financing transactions for the three months ended March 31, 2015 by approximately plus or minus \$6,600 for the largest of these intercompany loans.

During the three months ended March 31, 2015, the Company entered into a series of Euro and AUD average rate forward contracts, as well as into a Euro forward contract. These contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by counterparties.

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

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

The following Euro cash remittance forward contract is reflected as a change in fair value included within finance costs, net. The gain reflected for the three 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, 2015, with the following exceptions summarized below:

	March 31, 2015	December 31, 2014
<b>Unsecured convertible debentures</b>		
Book value	\$49,124	\$48,651
Fair value	\$41,136	\$43,004
<b>9.25% Senior Unsecured Notes</b>		
Book value	\$345,967	\$345,789
Fair value	\$301,043	\$290,500

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited

### For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

#### 10. Other financial assets and financial liabilities (continued)

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.

<b>Fair value as at March 31, 2015</b>	<b>Total</b>	<b>Level 1 Quoted prices in active markets for identical assets</b>	<b>Level 2 Significant other observable inputs</b>	<b>Level 3 Significant unobservable inputs</b>
2014 interest rate floor	\$(3,233)	\$-	\$(3,233)	\$-
Euro and AUD forward contracts	1,487	-	1,487	-
Prepayment option	43	-	43	-

<b>Fair value as at December 31, 2014</b>	<b>Total</b>	<b>Level 1 Quoted prices in active markets for identical assets</b>	<b>Level 2 Significant other observable inputs</b>	<b>Level 3 Significant unobservable inputs</b>
2014 interest rate floor	\$(2,925)	\$-	\$(2,925)	\$-
Prepayment option	14	-	14	-

There have been no transfers between any levels of the fair value hierarchy during the three months ended March 31, 2015 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.

#### 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 expense recognized for the three months ended March 31, 2015 relating to equity-settled share and option transactions for employees, was \$216 (three months ended March 31, 2014 \$816).

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited

### For the three months ended March 31, 2015

In thousands of US dollars, except per share information

#### 11. Share-based compensation (continued)

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

	March 31, 2015		March 31, 2014	
	Number	price	Number	price
<b>Outstanding at beginning of period</b>	<b>15,333,300</b>	<b>\$1.32</b>	<b>18,818,300</b>	<b>\$1.58</b>
Granted during the period	-	-	950,000	0.79
Exercised during the period	-	-	(232,500)	0.21
Forfeited/expired during the period	(61,250)	1.08	(495,000)	2.39
<b>Outstanding at end of period</b>	<b>15,272,050</b>	<b>1.33</b>	<b>19,040,800</b>	<b>1.54</b>
<b>Exercisable at end of period</b>	<b>7,120,800</b>	<b>\$1.83</b>	<b>9,724,550</b>	<b>\$1.49</b>

The following information relates to share options that were outstanding as at March 31, 2015:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
\$0.00-\$0.30	100,000	3.68	\$0.21
\$0.31-\$1.50	10,703,300	6.08	0.70
\$1.51-\$2.50	525,000	5.49	1.75
\$2.51-\$3.50	3,943,750	6.15	3.01
	<b>15,272,050</b>	<b>6.06</b>	<b>\$1.33</b>

#### Warrants

The following warrants were outstanding as at March 31, 2015:

	Number	Exercise price	Expiry date
Muzak acquisition warrants	4,407,543	\$3.50	May 2016

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

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. Mood Media believes that SoundExchange's position is without merit, and Mood Media will vigorously defend itself in this matter.

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

### 13. Shareholders' equity

#### Share capital

As at March 31, 2015, an unlimited number of common shares with no par value were authorized. Changes to share capital were as follows:

	Number of Shares	Amount
<b>Balance as at December 31, 2014</b>	<b>179,767,119</b>	<b>\$326,956</b>
Common shares issued, net of issue costs	2,300,000	1,123
<b>Balance as at March 31, 2015</b>	<b>182,067,119</b>	<b>\$328,079</b>

During the three months ended March 31, 2015, the Company entered into Minutes of Settlement with PFH Investments Limited ("PFH"). The Minutes resolved PFH's 2008 complaint against the Company and certain former officers of the Company. In accordance with the terms of the settlement, the Company issued 2,300,000 common shares of the Company.

#### Deficit

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

### 14. Management of capital

Total managed capital was as follows:

	March 31, 2015	December 31, 2014
Equity	\$(78,362)	\$(56,025)
Unsecured convertible debentures	50,266	50,266
2014 First Lien Credit Facilities	232,650	233,238
9.25% Senior Unsecured Notes	350,000	350,000
Total debt (contractual amounts due)	632,916	633,504
<b>Total capital</b>	<b>\$554,554</b>	<b>\$577,479</b>

### 15. Goodwill

	December 31, 2014
<b>Balance as at January 1, 2014</b>	<b>\$264,142</b>
Sale of operations	(10,129)
Foreign exchange translation	(8,470)
<b>Balance as at December 31, 2014</b>	<b>\$245,543</b>
Foreign exchange translation	(6,847)
<b>Balance as at March 31, 2015</b>	<b>\$238,696</b>

In 2014, the decrease in goodwill from the sale of operations of \$10,129 relates to the Company's sale of its residential Latin America music operations in the amount of \$6,011 and its DMX Canadian commercial account business in the amount of \$4,118.

# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

### 16. 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, 2015

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
<b>Revenue</b>	\$65,196	\$27,931	\$13,058	\$8,070	\$114,255
<b>Expenses</b>					
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
<b>Segment profit (i)</b>	<b>\$19,598</b>	<b>\$3,587</b>	<b>\$707</b>	<b>\$228</b>	<b>\$24,120</b>

#### Three months ended March 31, 2014

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
<b>Revenue</b>	\$66,772	\$30,499	\$17,250	\$8,469	\$122,990
<b>Expenses</b>					
Cost of sales	30,393	11,008	9,856	6,167	57,424
Operating expenses	17,333	15,389	6,108	3,386	42,216
<b>Segment profit (loss) (i)</b>	<b>\$19,046</b>	<b>\$4,102</b>	<b>\$1,286</b>	<b>\$(1,084)</b>	<b>\$23,350</b>



# Mood Media Corporation

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2015

In thousands of US dollars, unless otherwise stated

### 16. Segment information (continued)

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
<b>Segment profit (i)</b>	<b>\$24,120</b>	<b>\$23,350</b>
Depreciation and amortization	16,749	18,514
Share-based compensation	216	816
Other expenses (income)	897	(635)
Foreign exchange loss (gain) on financing transactions	19,003	(1,006)
Finance costs, net	14,080	13,726
<b>Loss for the period before income taxes</b>	<b>\$(26,825)</b>	<b>\$(8,065)</b>

(i) Segment profit is management's additional GAAP metric internally referred to 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.

### Geographic areas

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
US	\$71,591	\$72,870
Canada	81	1,284
Netherlands	11,194	15,205
Other international	31,389	33,631
<b>Total revenue</b>	<b>\$114,255</b>	<b>\$122,990</b>

### 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, 2015	March 31, 2014
US	\$396,481	\$421,945
Canada	-	7,689
International	141,990	192,049
<b>Total non-current assets</b>	<b>\$538,471</b>	<b>\$621,683</b>

## **Mood Media Corporation**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Unaudited**

**For the three months ended March 31, 2015**

In thousands of US dollars, unless otherwise stated

#### **17. Subsequent events**

The Company has reached a structured solution for its convertible debentures maturing on October 1, 2015. The contractual amount outstanding is \$50,266. The Company and a group of backstop parties have entered into a backstop agreement for \$50,000 unsecured foreign subsidiary debt to be issued by Mood Media Group S.A., and be guaranteed by various affiliated companies. The proceeds of the \$50,000 unsecured foreign subsidiary debt will be used to repay the convertible debentures outstanding.