Interim Condensed Consolidated Financial Statements

Mood Media Corporation

Unaudited

For the three and nine months ended September 30, 2015

Mood Media Corporation

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited

In thousands of US dollars, unless otherwise stated

	Notes	September 30, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		$20,718	$25,573
Restricted cash	9	32,457	405
Trade and other receivables, net		89,872	97,258
Income taxes recoverable		1,392	2,280
Inventory		29,412	30,503
Prepayments and other assets		14,518	11,578
Deferred costs		8,457	8,346
Total current assets		**196,826**	**175,943**
Non-current assets			
Deferred costs		9,297	9,103
Property and equipment, net		44,275	45,755
Other assets		765	768
Intangible assets		233,353	263,255
Goodwill	15	240,781	245,543
Total assets		**725,297**	**740,367**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		98,621	109,631
Income taxes payable		951	1,127
Deferred revenue		17,713	15,822
Other financial liabilities	10	5,358	6,151
Current portion of long-term debt	9	40,054	51,001
Total current liabilities		**162,697**	**183,732**
Non-current liabilities			
Deferred revenue		6,390	6,536
Deferred tax liabilities		25,495	29,624
Other financial liabilities	10	3,609	2,931
Long-term debt	9	611,767	573,339
Total liabilities		**809,958**	**796,162**
Equity			
Share capital	13	328,807	326,956
Contributed surplus		39,937	34,373
Foreign exchange translation reserve		4,999	2,264
Deficit		(458,629)	(419,618)
Equity attributable to owners of the parent		**(84,886)**	**(56,025)**
Non-controlling interests		225	230
Total equity		**(84,661)**	**(55,795)**
Total liabilities and equity		**$725,297**	**$740,367**

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

		Three months ended		Nine months ended	
	Notes	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	5	**$118,159**	**$124,137**	**$350,082**	**$367,008**
Expenses					
Cost of sales		56,782	58,337	167,543	169,107
Operating expenses		35,625	39,520	108,166	124,246
Depreciation and amortization		16,237	17,498	49,856	53,538
Share-based compensation	11	417	379	868	991
Other expenses	6	3,924	7,302	6,512	16,641
Foreign exchange (gain) loss on financing transactions	10	(553)	9,658	14,254	10,418
Finance costs, net	7	15,983	13,850	43,757	55,370
Loss for the period before income taxes		**(10,256)**	**(22,407)**	**(40,874)**	**(63,303)**
Income tax recovery	8	(449)	(2,409)	(1,899)	(3,175)
Loss for the period		**(9,807)**	**(19,998)**	**(38,975)**	**(60,128)**
Net loss attributable to:					
Owners of the parent		(9,858)	(20,004)	(39,011)	(60,177)
Non-controlling interests		51	6	36	49
		$(9,807)	**$(19,998)**	**(38,975)**	**$(60,128)**
Net loss per share attributable to shareholders					
Basic and diluted		$(0.05)	$(0.11)	$(0.21)	$(0.34)
Weighted average number of shares outstanding – basic and diluted		183,040	179,699	181,755	176,160
Loss for the period		**$(9,807)**	**$(19,998)**	**$(38,975)**	**$(60,128)**
Items that may be reclassified subsequently to the loss for the period:					
Exchange gain (loss) on translation of foreign operations		468	(2,748)	2,735	(2,787)
Other comprehensive (loss) income for the period, net of tax		**468**	**(2,748)**	**2,735**	**(2,787)**
Total comprehensive loss for the period, net of tax		**(9,339)**	**(22,746)**	**(36,240)**	**(62,915)**
Comprehensive loss attributable to:					
Owners of the parent		(9,390)	(22,752)	(36,276)	(62,964)
Non-controlling interests		51	6	36	49
		$(9,339)	**$(22,746)**	**$(36,240)**	**$(62,915)**

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 September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Operating activities					
Loss for the period before income taxes		**$(10,256)**	**$(22,407)**	**$(40,874)**	**$(63,303)**
Reconciling adjustments					
Depreciation of property and equipment		5,725	5,815	17,520	19,208
Amortization of intangible assets		10,512	11,683	32,336	34,330
(Gain) loss on disposal of property and equipment		(1,481)	87	(1,436)	(392)
Share-based compensation	11	417	379	868	991
Shares issued in lieu of severance or consideration		-	-	1,123	2,588
Foreign exchange (gain) loss on financing transactions		(553)	9,658	14,254	10,418
Finance costs, net		15,983	13,809	43,757	41,894
Loss on extinguishment of 2011 First Lien Credit Facility	7	-	41	-	13,476
Gain on disposal of Latin America and DMX Canada assets		-	-	-	(6,478)
Working capital adjustments					
Decrease (increase) in trade and other receivables		3,355	(6,919)	4,065	2,094
(Increase) decrease in inventory		(2,674)	(1,468)	1,007	(2,783)
(Decrease) increase in trade and other payables		(6,091)	2,664	(21,168)	(11,493)
(Decrease) increase in deferred revenue		(1,908)	(3,035)	1,680	662
		13,029	**10,307**	**53,132**	**41,212**
Income taxes credited (paid)		15	(1,269)	282	(3,756)
Interest received		94	46	109	65
Net cash flows from operating activities		**13,138**	**9,084**	**53,523**	**37,521**
Investing activities					
Purchase of property and equipment and intangible assets		(10,090)	(8,030)	(25,711)	(25,701)
Proceeds from disposal of Latin America and DMX Canada assets		-	-	-	19,515
Proceeds from disposal of property, equipment and other assets		1,485	-	1,517	1,138
Net cash used in investing activities		**(8,605)**	**(8,030)**	**(24,194)**	**(5,048)**
Financing activities					
Repayment of borrowings		(588)	(587)	(1,763)	(219,072)
Proceeds from 2014 First Lien Credit Facility and 2014 Revolving Credit Facility		6,000	-	6,000	235,000
Proceeds from MMG Notes	10	31,552	-	31,552	-
Restricted cash in connection with MMG Notes	10	(31,552)	-	(31,552)	-
Financing costs paid		(5,668)	-	(5,668)	-
Proceeds from exercise of share options		-	34	-	819
Finance lease payments		(69)	(185)	(686)	(877)
Cost of 2014 First Lien Credit Facility		-	(51)	-	(9,256)
Interest paid		(4,407)	(4,292)	(31,620)	(31,078)
Dividends paid to non-controlling interest		-	-	(50)	-
Settlement of forward contracts		-	-	395	-
Net cash flows used in financing activities		**(4,732)**	**(5,081)**	**(33,392)**	**(24,464)**
Net (decrease) increase in cash		**(199)**	**(4,027)**	**(4,063)**	**8,009**
Net foreign exchange gain (loss) on cash balances		**122**	**(702)**	**(792)**	**(833)**
Cash at beginning of period		**20,795**	**34,315**	**25,573**	**22,410**
Cash at end of period		**$20,718**	**$29,586**	**$20,718**	**$29,586**

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, 2015		**$326,956**	**$34,373**	**$2,264**	**$(419,618)**	**$(56,025)**	**$230**	**$(55,795)**
Loss for the period		-	-		(39,011)	(39,011)	36	**(38,975)**
Translation of foreign operations		-	-	2,735	-	2,735	-	**2,735**
Total comprehensive income (loss)		**-**	**-**	**2,735**	**(39,011)**	**(36,276)**	**36**	**(36,240)**
Share-based compensation	11	-	868	-	-	**868**	-	**868**
Dividends to non-controlling interest		-	-	-	-	**-**	(41)	**(41)**
Issue of share capital	13	1,851	-	-	-	**1,851**	-	**1,851**
Issuance of warrants	9	-	4,696	-	-	**4,696**	-	**4,696**
As at September 30, 2015		**$328,807**	**$39,937**	**$4,999**	**$(458,629)**	**$(84,886)**	**$225**	**$(84,661)**

	Notes	Share Capital	Contributed Surplus	Foreign Exchange Translation Reserve	Deficit	Total	Non-controlling Interests	Total Equity
As at January 1, 2014		**$323,318**	**$33,209**	**$5,656**	**$(337,176)**	**$25,007**	**$228**	**$25,235**
Loss for the period		**-**	**-**	-	(60,177)	**(60,177)**	49	**(60,128)**
Translation of foreign operations		**-**	**-**	(2,787)	**-**	**(2,787)**	-	**(2,787)**
Total comprehensive income (loss)		**-**	**-**	**(2,787)**	**(60,177)**	**(62,964)**	**49**	**(62,915)**
Share-based compensation		-	763	-	-	**763**	-	**763**
Issue of share capital		2,820	-	-	-	**2,820**	-	**2,820**
Dividends paid to non-controlling interests		-	-	-	-	**-**	(63)	**(63)**
Exercise of share options		818	-	-	-	**818**	-	**818**
As at September 30, 2014		**$326,956**	**$33,972**	**$2,869**	**$(397,353)**	**$(33,556)**	**$214**	**$(33,342)**

The accompanying notes form part of the interim consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended September 30, 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, 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, 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 November 11, 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.

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 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.

5. Revenue

The composition of revenue is as follows:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Rendering of services	$80,325	$85,466	$242,217	$253,621
Sale of goods	37,173	37,804	105,882	110,921
Royalties	661	867	1,983	2,466
	$118,159	**$124,137**	**$350,082**	**$367,008**

In thousands of US dollars, unless otherwise stated

6. Other (income) expenses

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Transaction costs (i)	$175	$29	$743	$1,430
Restructuring and integration costs (ii)	1,419	7,273	3,661	17,582
Settlements and resolutions (iii)	2,260	-	2,146	4,226
Net loss (gain) on disposal of certain assets (iv)	70	-	(38)	(6,597)
	$3,924	**$7,302**	**$6,512**	**$16,641**

(i) Transaction costs incurred during the three and nine months ended September 30, 2015 and September 30, 2014 primarily relate to costs associated with prior acquisitions.

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Legal, professional, and consultant fees	$67	$(40)	$369	$1,213
Technomedia contingent consideration and related expenses	108	69	374	217
	$175	**$29**	**$743**	**$1,430**

(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		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Severance costs	$306	$2,595	$866	$4,099
Arrangements that have no further utility	63	3,096	178	8,602
Other integration costs	1,050	1,582	2,617	4,881
	$1,419	**$7,273**	**$3,661**	**$17,582**

(iii) During the three months ended September 30, 2015, the Company recorded $2,300 representing management's best estimate for a settlement of a dispute with various counterparties over the interpretation of certain contractual arrangements. Settlements and resolutions in the comparative 2014 period include negotiated and finalized settlements including other liabilities and legal matters related to DMX and Muzak.

(iv) 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.

In thousands of US dollars, unless otherwise stated

7. Finance costs, net

	Three months ended		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Interest expense	$14,249	$13,648	$41,276	$40,435
Change in fair value of financial instruments (i)	683	(640)	(240)	(1,500)
Cost of extinguishment of 2011 First Lien Credit Facility (ii)	-	41	-	13,476
Other finance costs, net (iii)	1,051	801	2,721	2,959
	$15,983	**$13,850**	**$43,757**	**$55,370**

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

	Three months ended		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Interest rate floor under 2011 First Lien Credit Facility (a)	$-	$-	$-	$(584)
Interest rate floor under 2014 First Lien Credit Facility (a)	648	(738)	149	(1,003)
Forward contracts (b)	-	-	(396)	-
Prepayment option on 9.25% Senior Unsecured Notes (c)	35	98	7	87
	$683	**$(640)**	**$(240)**	**$(1,500)**

(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 Facility 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.

In thousands of US dollars, unless otherwise stated

7. Finance costs, net (continued)

(ii) On May 1, 2014, the Company refinanced its credit facilities. In connection with the refinancing, the payoff and settlement of the 2011 Credit Facilities was accounted for as an extinguishment as the terms and the lenders of the two credit facilities were substantially different. Therefore, the unamortized costs related to the 2011 Credit Facilities and the 2011 interest rate floor were accelerated and recognized as part of the loss on the extinguishment.

Cost of extinguishment of the 2011 First Lien Credit Facility consists of:

	Three months ended		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Accelerated discount for deferred financing costs	$-	$-	$-	$6,074
Non-cash discount for the 2011 interest rate floor	-	-	-	3,636
Early extinguishment fee	-	-	-	2,074
Other expenses incurred on extinguishment (a)	-	41	-	7,174
Extinguishment of 2011 interest rate floor	-	-	-	(5,482)
	$-	**$41**	**$-**	**$13,476**

(a) Other expenses incurred on extinguishment include legal fees, credit rating fees and fees to Credit Suisse acting as an agent. The early extinguishment fee of $2,074 and other expenses incurred on extinguishment of $7,174 were cash payments related to the extinguishment of the 2011 First Lien Credit Facilities.

(iii) Other finance costs, net consist of:

	Three months ended		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Accretion interest on convertible debentures	$551	$463	$1,501	$1,658
Accretion of 2011 First Lien Credit Facilities	-	-	-	376
Accretion of 9.25% Senior Unsecured Notes	277	276	831	828
Accretion of debt related to MMG notes	176	-	176	-
Accretion of debt related to 2011 interest rate floor	-	-	-	221
Accretion of debt related to 2014 interest rate floor	191	192	574	321
Amortization of debt premium arising from prepayment option on 9.25% Senior Unsecured Notes	(99)	(99)	(297)	(298)
Other	(45)	(31)	(64)	(147)
	$1,051	**$801**	**$2,72**	**$2,959**

In thousands of US dollars, unless otherwise stated

8. Income taxes

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Current tax expense				
Current taxes on income for the period	$668	$(224)	$1,010	$2,459
Total current taxes	**668**	**(224)**	**1,010**	**2,459**
Deferred tax expense				
Origination and reversal of temporary differences	(1,117)	(2,185)	(2,909)	(5,634)
Total deferred tax recovery	**(1,117)**	**(2,185)**	**(2,909)**	**(5,634)**
Total income tax recovery	**$(449)**	**$(2,409)**	**$(1,899)**	**$(3,175)**

9. Loans and borrowings

	September 30, 2015	December 31, 2014
Due in less than one year:		
2014 First Lien Credit Facilities	$2,350	$2,350
2014 First Lien Revolving Facility	6,000	-
10% Unsecured Convertible Debentures	31,704	48,651
	40,054	**51,001**
Due in more than one year:		
9.25% Senior Unsecured Notes	350,000	350,000
Unamortized discount – financing costs	(5,686)	(6,517)
Unamortized premium – prepayment option	2,009	2,306
	346,323	**345,789**
MMG Notes	50,000	-
Unamortized discount – financing cost	(10,918)	-
	39,082	-
2014 First Lien Credit Facilities	229,126	230,888
Unamortized discount – 2014 interest rate floor	(2,764)	(3,338)
	226,362	**227,550**
	611,767	**573,339**
Total loans and borrowings	**$651,821**	**$624,340**

In thousands of US dollars, unless otherwise stated

9. Loans and borrowings (continued)

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, 2011
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%

	New Debentures	Consideration Debentures	Convertible Debentures
Closing date	October 1, 2010	May 6, 2011	May 27, 2011
Maturity date	October 31, 2015	October 31, 2015	October 31, 2015
Interest rate	10%	10%	10%
Effective interest rate	14.25%	11.84%	10.24%
Conversion price	$2.43	$2.43	$2.80

As at September 30, 2015, the Company had available $7,660 under the 2014 Revolving Credit Facility and outstanding letters of credit of $1,340. 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 September 30, 2015.

Unsecured Convertible Debentures: Reconciliation of carrying value and principal outstanding

	New Debentures	Consideration Debentures	Convertible Debentures	Total
Carrying value as at September 30, 2015	**$20,256**	**$2,939**	**$8,509**	**$31,704**
Unamortized balance	78	1	35	114
Principal outstanding as at September 30, 2015 (i)	**$20,334**	**$2,940**	**$8,544**	**$31,818**

The unamortized balance for the New Debentures includes unamortized financing costs as at September 30, 2015 of nil (December 31, 2014 - $311).

(i) On August 6, 2015, certain holders of the Unsecured Convertible Debentures irrevocably tendered $18,448 of their debentures in exchange for an equivalent principal of MMG Notes as discussed below.

In thousands of US dollars, unless otherwise stated

9. Loans and borrowings (continued)

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

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

Investors in the outstanding Unsecured Convertible Debentures were given the option to irrevocably tender such debentures in exchange for an equivalent amount of principal in the MMG Notes. Of the total MMG Note issuance of $50,000, $18,448 was tendered via outstanding Unsecured Convertible Debentures, and the balance was paid in cash of $31,552. Both the tendered Unsecured Convertible Debentures and the cash proceeds have been held in escrow by the trustee under the Convertible Note indenture until the maturity date of the Unsecured Convertible Debentures. The cash held in escrow until the maturity date of the Unsecured Convertible Debentures is included within the restricted cash balance of $32,457 on the Company's interim consolidated statement of financial position as of September 30, 2015. Upon their maturity on October 31, 2015, proceeds of the issuance of the MMG Notes will be used to repay the Unsecured Convertible Debentures. All parties who subscribed to the MMG Notes received 0.434 Mood Media common share purchase warrants (the "MMG Warrants") for each $1.00 of principal value of MMG Notes acquired. A total of 21,700,000 MMG Warrants were issued with an exercise price of CAD$0.80 and a term of 8 years from date of issue. The MMG Notes have a prepayment option that allows the Company to redeem the MMG Notes at the outstanding principal at the time plus a premium. This option is considered an embedded derivative with an immaterial impact to the interim consolidated statement of loss.

Holders of Unsecured Convertible Debentures that irrevocably tendered their debentures in exchange for MMG Notes will continue to earn interest to October 31, 2015. Additionally from the Closing Date to October 31, 2015, interest on the MMG Notes is calculated based on the outstanding principal of $50,000, less the amount of Unsecured Convertible Debentures tendered of $18,448, as those holders of Unsecured Convertible Debentures who irrevocably tendered such in satisfaction of the purchase price of the MMG Notes waived interest on the MMG Notes until after the maturity date of the Unsecured Convertible Debentures, thus providing the Company an ability to avoid double interest on this portion of the MMG Notes through October 31, 2015. After October 31, 2015, interest will be calculated on the full amount of outstanding principal. Interest accrued as of September 30, 2015 is $486 and is payable semi-annually with the first payment on November 2, 2015. Financing costs associated with the issuance of the MMG Notes totaling $11,094 were deducted from the MMG Notes and will be accreted over the life of the debt.

Backstop fee	$1,728
Warrants issuance expense	4,696
Legal, consulting and other	4,670
Financing costs associated with the MMG Notes	**$11,094**

In thousands of US dollars, unless otherwise stated

9. Loans and borrowings (continued)

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, 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. This information has been prepared in accordance with IFRS and following accounting policies consistent with the Company's accounting policies.

MMG's Consolidated Statement of Financial Position

	September 30, 2015
ASSETS	
Net intercompany trade balances	$5,325
Restricted cash	31,552
Current assets	64,790
Property, plant and equipment	11,391
Goodwill and intangible assets	98,870
Other long-term assets	7,218
Total assets	**219,146**
LIABILITIES AND EQUITY	
Other current liabilities	50,185
Long-term debt	39,082
Intercompany long-term debt	179,393
Other long-term liabilities	3,303
Non-controlling interest	183
Equity attributable to owners of MMG (i)	(53,000)
Total liabilities and equity	**$219,146**

(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.

MMG's Consolidated Statement of Loss

	Nine months ended September 30, 2015
Revenue	**$125,148**
Expenses	
Cost of sales	60,165
Operating expenses	51,205
Depreciation and amortization	7,340
Other expenses	4,268
Foreign exchange loss on financing transactions	9,797
Finance costs, net	9,079
Income tax charge	878
Loss for the period	**(17,584)**
Segment profit (i)	**$13,778**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
For the three and nine months ended September 30, 2015

In thousands of US dollars, unless otherwise stated

9. Loans and borrowings (continued)

(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 loss 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:

	Nine months ended September 30, 2015
Segment Profit	**$13,778**
Depreciation and amortization	7,340
Other expenses	4,268
Foreign exchange loss on financing transactions	9,797
Finance costs, net	9,079
Income tax charge	878
Loss for the period	**$(17,584)**

MMG's Consolidated Statement of Cash Flows

	Nine months ended September 30, 2015
Net cash flows from operating activities	$15,415
Net cash flows used in investing activities	(5,665)
Net cash flows used in financing activities	(11,169)
Net decrease in cash	**(1,419)**
Net foreign exchange loss on cash balances	**(792)**
Cash at beginning of period	**10,556**
Cash at end of period	**$8,345**

In thousands of US dollars, unless otherwise stated

10. Other financial assets and financial liabilities

	September 30, 2015	December 31, 2014
Other financial assets		
Prepayment option	$8	$14
Euro and AUD forward contracts	281	-
Total other financial assets	**$289**	**$14**
Due in less than one year	$281	$-
Due in more than one year	8	14
Total other financial assets	**$289**	**$14**
Other financial liabilities		
Finance leases	$922	$657
2014 interest rate floor	3,072	2,925
Technomedia contingent consideration	4,973	5,500
Total other financial liabilities	**$8,967**	**$9,082**
Due in less than one year	$5,358	$6,151
Due in more than one year	3,609	2,931
Total other financial liabilities	**$8,967**	**$9,082**

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").

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 and nine months ended September 30, 2015, the amount recognized in foreign exchange loss (gain) on financing transactions was a gain of $(553) and a loss of $14,254 respectively ($9,658 and $10,418 loss for the three months and nine months ended September 30, 2014, respectively). Fluctuations of plus or minus $0.05/€ would have, everything else being equal, affected foreign exchange loss (gain) on financing transactions for the three and nine months ended September 30, 2015 by approximately plus or minus $8,200 and $13,200, respectively, for the largest of these intercompany loans.

During the nine months ended September 30, 2015, the Company entered into a series of Euro and Australian Dollar ("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.

In thousands of US dollars, unless otherwise stated

10. Other financial assets and financial liabilities (continued)

The following is a table of the Euro and AUD average rate forward contracts of the Company. The changes in fair value and settled gains are included within operating expenses. For the three and nine months ended September 30, 2015, the amount reflected in operating expenses was a credit of $83 and a credit of $864, respectively.

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

The following Euro cash remittance forward contract is reflected as a change in fair value included within finance costs, net. The gain reflected for the three and nine months ended September 30, 2015 was nil and $396, respectively.

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 September 30, 2015, with the following exceptions summarized below:

	September 30, 2015	**December 31, 2014**
Unsecured Convertible Debentures		
Book value	$31,704	$48,651
Fair value	$31,818	$43,004
9.25% Senior Unsecured Notes		
Book value	$346,323	$345,789
Fair value	$257,250	$290,500
MMG Notes		
Book value	$39,082	$-
Fair value	$50,000	$-

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.

Fair value as at September 30, 2015	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
2014 interest rate floor	$(3,072)	$-	$(3,072)	$-
Euro and AUD forward contracts	281	-	281	-
Prepayment option	8	-	8	-

Fair value as at December 31, 2014	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
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 and nine months ended September 30, 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 ("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 Option 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 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 and nine months ended September 30, 2015 relating to equity-settled share and option transactions, was $417 and $868, respectively (three months ended September 30, 2014 was $379 and nine months ended September 30, 2014 was $991).

In thousands of US dollars, unless otherwise stated

11. Share-based compensation (continued)

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

		September 30, 2015		September 30, 2014
	Number	**price**	**Number**	**price**
Outstanding at beginning of year	**15,333,300**	**$1.32**	**18,818,300**	**$1.58**
Granted during the period	60,000	0.62	4,130,000	0.58
Exercised during the period	-	-	(3,600,000)	0.21
Forfeited/expired during the period	(298,334)	1.16	(1,995,000)	2.40
Outstanding at end of period	**15,094,966**	**1.33**	**17,353,300**	**1.53**
Exercisable at end of period	**9,473,293**	**$1.75**	**8,423,300**	**$2.24**

The following information relates to share options that were outstanding as at September 30, 2015:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.00-$0.30	100,000	3.18	$0.21
$0.31-$1.50	10,544,966	5.59	0.69
$1.51-$2.50	525,000	4.99	1.75
$2.51-$3.50	3,925,000	5.65	3.01
	15,094,966	**5.57**	**$1.33**

Deferred Share Units

Effective May 7, 2015, the Company adopted a Deferred Share Unit ("DSU") plan for directors and employees of the Corporation 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.

In thousands of US dollars, unless otherwise stated

11. Share-based compensation (continued)

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.

The operating expense recognized for the three and nine months ended September 30, 2015 relating to DSU transactions, was $42 (three and nine months ended September 30, 2014 was nil). The share-based compensation expense recognized for the three and nine months ended September 30, 2015 relating to DSU transactions, was $109 (three and nine months ended September 30, 2014 was nil).

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

	September 30, 2015 Number	**September 30, 2014 Number**
Granted during the period	3,586,310	-
Cancelled during the period	(44,026)	-
Outstanding at end of period	**3,542,284**	**-**
Vested at end of period	**210,693**	**-**

As at September 30, 2015, the 3,542,284 units outstanding consisted of 3,018,310 equity awards valued at $720 and 523,974 liability awards valued at $125 (September 30, 2014 – no units were outstanding).

In thousands of US dollars, unless otherwise stated

11. Share-based compensation (continued)

Warrants

The following warrants were outstanding as at September 30, 2015:

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

On April 2, 2015, SoundExchange filed suit against Muzak LLC in the United States 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 continue to vigorously defend itself in this matter.

13. Shareholders' equity

Share capital

As at September 30, 2015, an unlimited number of common shares with no par value were authorized. Changes to share capital were as follows:

	Number of Shares	Amount
Balance as at December 31, 2014	**179,767,119**	**$326,956**
Common shares issued, net of issue costs	3,926,963	1,851
Balance as at September 30, 2015	**183,694,082**	**$328,807**

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.

In connection with the issuance of the MMG Notes, the Company entered into a backstop agreement with certain MMG Notes subscribers (the "Backstop Parties"). The Backstop Parties were entitled to receive from MMG a payment equal to 4% of the Maximum Backstop Amount, $50,000, payable to each Backstop Party in proportion to the total number of unsubscribed MMG Notes purchased by the Backstop Party. The Backstop Parties elected payment of the backstop fee of 50% in cash, with the remaining amount paid in shares. On August 6, 2015, the Company issued 1,626,963 common shares to the Backstop Parties in satisfaction of the backstop fee.

Deficit

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

In thousands of US dollars, unless otherwise stated

14. Management of capital

Total managed capital was as follows:

	September 30, 2015	December 31, 2014
Equity	$(84,886)	$(56,025)
Unsecured Convertible Debentures	31,818	50,266
MMG Notes	50,000	-
2014 First Lien Credit Facilities	237,476	233,238
9.25% Senior Unsecured Notes	350,000	350,000
Total debt (contractual amounts due)	669,294	633,504
Total capital	**$584,408**	**$577,479**

Of the $669,294 total contractual debt due, $31,818 associated with the Unsecured Convertible Debentures has an approximate offsetting amount in the company's restricted cash balances, currently held in escrow by the trustee for the convertible debentures indenture, which cash will be applied to the outstanding Unsecured Convertible Debentures at their maturity on October 31, 2015. Therefore the total contractual debt due would be $637,476 if reflecting the actual payoff of the convertible debentures.

15. Goodwill

Balance as at January 1, 2014	**$264,142**
Sale of operations	(10,129)
Foreign exchange translation	(8,470)
Balance as at December 31, 2014	**$245,543**
Foreign exchange translation	(4,762)
Balance as at September 30, 2015	**$240,781**

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.

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.

In thousands of US dollars, unless otherwise stated

16. Segment information (continued)

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 September 30, 2015

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	$63,032	$29,119	$14,223	$11,785	$118,159
Expenses					
Cost of sales	27,442	12,797	8,985	7,558	56,782
Operating expenses	15,691	12,580	4,496	2,858	35,625
Segment profit (i)	**$19,899**	**$3,742**	**$742**	**$1,369**	**$25,752**

Three months ended September 30, 2014

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	$67,649	$31,253	$14,633	$10,602	$124,137
Expenses					
Cost of sales	30,001	11,479	8,806	8,051	58,337
Operating expenses	16,518	14,837	5,286	2,879	39,520
Segment profit (loss) (i)	**$21,130**	**$4,937**	**$541**	**$(328)**	**$26,280**

In thousands of US dollars, unless otherwise stated

16. Segment information (continued)

Nine months ended September 30, 2015

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	$191,955	$84,197	$40,735	$33,195	$350,082
Expenses					
Cost of sales	84,212	35,184	24,983	23,164	167,543
Operating expenses	48,434	37,567	13,434	8,731	108,166
Segment profit (i)	**$59,309**	**$11,446**	**$2,318**	**$1,300**	**$74,373**

Nine months ended September 30, 2014

	In-store media North America	In-store media International	BIS	Other	Consolidated Group
Revenue	$200,644	$92,148	$46,596	$27,620	$367,008
Expenses					
Cost of sales	88,672	32,880	26,960	20,595	169,107
Operating expenses	51,523	45,455	17,598	9,670	124,246
Segment profit (loss) (i)	**$60,449**	**$13,813**	**$2,038**	**$(2,645)**	**$73,655**

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

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Segment profit (i)	**$25,752**	**$26,280**	**$74,373**	**$73,655**
Depreciation and amortization	16,237	17,498	49,856	53,538
Share-based compensation	417	379	868	991
Other expenses	3,924	7,302	6,512	16,641
Foreign exchange (gain) loss on financing transactions	(553)	9,658	14,254	10,418
Finance costs, net	15,983	13,850	43,757	55,370
Loss for the period before income taxes	**$(10,256)**	**$(22,407)**	**$(40,874)**	**$(63,303)**

In thousands of US dollars, unless otherwise stated

16. Segment information (continued)

(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		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
US	$71,709	$74,041	$217,797	$219,493
Canada	56	260	238	2,949
Netherlands	13,086	13,037	36,693	42,282
Other international	33,308	36,799	95,354	102,284
Total revenue	**$118,159**	**$124,137**	**$350,082**	**$367,008**

Non-current assets

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

	September 30, 2015	**December 31, 2014**
US	$386,575	$403,219
International	141,896	161,205
Total non-current assets	**$528,471**	**$564,424**