Spin Master Corp.

Management's Discussion and Analysis of Financial Results

For the three and six months ended June 30, 2022

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July 27, 2022

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Spin Master Corp. and its subsidiaries ("Spin Master" or the "Company") provides information concerning the Company's financial condition, financial performance and cash flows for the three and six months ended June 30, 2022 ("second quarter", "the quarter", "Q2"). This MD&A should be read in conjunction with the Company's unaudited Condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and June 30, 2021 ("interim financial statements"), its audited annual Consolidated financial statements and accompanying notes ("annual financial statements") and its annual MD&A for the year ended December 31, 2021 ("Annual MD&A"). Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2021, can be found under the Company's profile on the System of Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Some of the statements in this MD&A contain forward-looking information that are based on assumptions and involve risks and uncertainties. See "Forward-Looking Statements". Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those described in "Risks Relating to Spin Master's Business" in the Annual MD&A and elsewhere in the Annual MD&A and this MD&A.

BASIS OF PRESENTATION

The financial information included in this MD&A is derived from the financial information included in the Company's interim financial statements and accompanying notes that were prepared in accordance with International Accounting Standard 34, Interim Reporting and consistent with International Financial Reporting Standards ("IFRS"). However, certain financial measures and ratios contained in this MD&A do not have any standardized meaning under IFRS ("Non-GAAP") and are discussed further in the "Non-GAAP Financial Measures and Ratios" section of this MD&A. Management believes the Non-GAAP financial measures and Non-GAAP financial ratios defined in the section noted above are important supplemental measures of operating performance and highlight trends in the business. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is consistent and comparable between reporting periods. The Company believes that investors, lenders, securities analysts and other interested parties frequently use these Non-GAAP financial measures and Non-GAAP financial ratios in the evaluation of issuers.

All financial information is presented in United States dollars ("$", "dollars" and "US$") and has been rounded to the nearest hundred thousand, except per share amounts and where otherwise indicated.

BUSINESS OVERVIEW

Spin Master Corp. is a leading global children's entertainment company, creating exceptional play experiences through it's three creative centres: Toys, Entertainment and Digital Games. With distribution in over 100 countries, Spin Master is best known for award-winning brands PAW Patrol®, Bakugan®, Kinetic Sand®, Air Hogs®, Hatchimals®, Rubik's Cube® and GUND®, and is the global toy licensee for other popular properties. Spin Master Entertainment creates and produces compelling multiplatform content, through its in-house studio and partnerships with outside creators, including the preschool franchise *PAW Patrol* and numerous other original shows, short-form series and feature films. The Company has an established presence in Digital Games, anchored by the Toca Boca® and Sago Mini® brands, offering open-ended and creative game and educational play in digital environments. Through Spin Master Ventures, the Company makes minority investments globally in emerging companies and start-ups. With over 30 offices in close to 20 countries, Spin Master employs more than 2,000 team members globally.

Seasonality factors cause the Company's operating results to fluctuate significantly from quarter to quarter. In particular, Toy revenue is typically concentrated in the third and fourth quarters of a fiscal year with a significant portion of its net income earned and cash flows generated during the same period.

Segment information

Effective January 1, 2022, the Company revised its reportable operating segments to align with its current business structure and how the Company's new Chief Operating Decision Maker ("CODM") reviews operations and makes decisions.

The Company has three reportable operating segments: Toys, Entertainment and Digital Games.

Toys

The Toy segment engages in the creation, design, manufacturing, licensing, and marketing of consumer products. Spin Master's Toy segment is organized into four product categories: (1) Activities, Games & Puzzles and Plush; (2) Wheels & Action; (3) Outdoor; and (4) Preschool and Dolls & Interactive, and are sold in three geographic regions: (1) North America, (2) Europe and (3) Rest of World.

Entertainment

The Entertainment segment engages in the creation, development, production and distribution of multi-platform content for children and families around the world. The Entertainment segment also licenses Spin Master's brands for use in non-toy consumer products, including apparel and other consumer goods, publishing, and live entertainment.

Digital Games

The Digital Games segment engages in the creation of digital play experiences for players globally. Digital Games develops, markets and delivers digital applications ("apps"), which are hosted by third-party platform providers and monetized through subscriptions or in-app purchases.

Corporate & Other

The Company also presents Corporate & Other which includes certain corporate costs, foreign exchange and merger and acquisition-related costs, as well as fair value gains and losses and distribution income on minority investments.

Strategy

Spin Master's principal strategies to drive the Company's continued growth include:

	Toys	Entertainment	Digital Games
Vision	Be a global leader in Toys by creating play experiences that spark creativity and imagination in kids and families globally	Be a leading global creator of children's entertainment, igniting imaginations and deep character connections	Create exceptional digital play experiences for kids of all ages around the world
Primary Role	Provide a stable base of Revenue/Adjusted EBITDA[1]/Free Cash Flow[1] to build brands & innovate	Create content and build evergreen franchises that kids love, across physical and digital platforms	Create digital games and play-to-learn platforms using both new and existing intellectual property ("IP")
Key Strategic Focus	• Brands • Innovation • Geographic Expansion	• Evergreen Franchises • New IP • Distribution • Licensing & Merchandising	• Build Digital Playgrounds • Fan & Community Engagement • Digitize Owned IP
Mergers & Acquisitions and Ventures	• Focus on targets with quality IP and accretive margin profiles where existing expertise and the Company's global platform can be leveraged	• Acquire IP with franchise potential	• Multiple smaller, pre-revenue targets ◦ talent/capabilities ◦ easier to integrate • Transformational opportunity considered

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Selected Financial Information

The following provides selected key performance metrics of the Company for the three and six months ended June 30, 2022 and 2021, which should be read in conjunction with the interim financial statements.

Consolidated Results			Six Months Ended Jun 30	
(US$ millions, except per share information)	**Q2 2022**	**Q2 2021**	**2022**	**2021**
Revenue	506.3	390.8	930.5	707.4
Operating Income	118.2	46.9	179.9	53.6
Operating Margin[1]	23.3 %	12.0 %	19.3 %	7.6 %
Adjusted Operating Income[2]	97.6	57.7	174.9	71.3
Adjusted Operating Margin[2]	19.3 %	14.8 %	18.8 %	10.1 %
Net Income	88.1	33.5	133.7	36.7
Adjusted Net Income[2]	72.4	41.6	129.9	50.0
Adjusted EBITDA[2]	113.7	81.8	209.4	118.5
Adjusted EBITDA Margin[2]	22.5 %	20.9 %	22.5 %	16.8 %
Earnings Per Share ("EPS")				
Basic EPS	0.86	0.33	1.30	0.36
Diluted EPS	0.83	0.32	1.26	0.35
Adjusted Basic EPS[2]	0.70	0.41	1.26	0.49
Adjusted Diluted EPS[2]	0.68	0.40	1.22	0.48
Cash Flow				
Cash provided by operating activities	111.6	94.2	48.7	103.2
Cash used in investing activities	(30.4)	(46.9)	(38.7)	(110.9)
Free Cash Flow[2]	84.1	69.0	4.7	62.5

Balance Sheet	Jun 30, 2022	Dec 31, 2021
Cash and cash equivalents	558.1	562.7
Total assets	1,726.5	1,736.7
Total liabilities	562.2	684.3

[1] Operating Margin is calculated as Operating Income divided by Revenue.

[2] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Executive Summary for Q2 2022 as compared to Q2 2021

- Revenue was $506.3 million, an increase of 29.6% from $390.8 million driven by revenue growth in Toys and Digital Games.
- Operating Income was $118.2 million compared to $46.9 million, an increase of $71.3 million or 152.0%. Operating Margin was 23.3% compared to 12.0%.
- Adjusted Operating Income[1] was $97.6 million compared to $57.7 million, an increase of $39.9 million or 69.2%. Adjusted Operating Margin was 19.3% compared to 14.8%.
- Adjusted EBITDA[1] was $113.7 million compared to $81.8 million, an increase of $31.9 million or 39.0%. Adjusted EBITDA Margin[1] was 22.5% compared to 20.9%.
- Strong capital position and operational outlook led to the declaration of a quarterly dividend in respect of the third quarter of 2022.

Executive Summary for the Six Months Ended June 30, 2022 as compared to June 30, 2021

- Revenue was $930.5 million, an increase of 31.5% from $707.4 million driven by growth in Toy revenue of 35.5% and Digital Games revenue of 28.7%, offset by a decrease in Entertainment revenue of 7.0%.
- Operating Income was $179.9 million compared to $53.6 million, an increase of $126.3 million or 235.6%. Operating Margin was 19.3% compared to 7.6%.
- Adjusted Operating Income[1] was $174.9 million compared to $71.3 million, an increase of $103.6 million or 145.3%. Adjusted Operating Margin[1] was 18.8% compared to 10.1%.
- Adjusted EBITDA[1] was $209.4 million compared to $118.5 million, an increase of $90.9 million or 76.7%. Adjusted EBITDA Margin[1] was 22.5% compared to 16.8%.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Segmented Results			Six Months Ended Jun 30	
(US$ millions)	**Q2 2022**	**Q2 2021**	**2022**	**2021**
Toys				
Toy Gross Product Sales[2]	484.4	359.0	881.9	653.7
Toy revenue	437.6	326.4	788.5	582.0
Operating Income	62.6	28.5	104.0	16.4
Operating Margin[1]	14.3 %	8.7 %	13.2 %	2.8 %
Adjusted EBITDA[2]	83.2	47.3	142.1	52.4
Adjusted EBITDA Margin[2]	19.0 %	14.5 %	18.0 %	9.0 %
Cash Flow				
Toys capital expenditures	9.8	8.7	17.0	13.9

Balance Sheet	**Jun 30 2022**	**Dec 31 2021**
Moulds, dies and tools, net carrying amount	23.5	21.2

	Q2 2022	**Q2 2021**	**2022**	**2021**
Entertainment				
Entertainment revenue	28.4	27.5	50.6	54.4
Operating Income	17.5	12.5	28.7	23.1
Operating Margin[1]	61.6 %	45.5 %	56.7 %	42.5 %
Adjusted Operating Income[2]	18.0	12.6	29.4	24.2
Adjusted Operating Margin[2]	63.4 %	45.8 %	58.1 %	44.5 %
Cash Flow				
Entertainment capital expenditures	14.9	14.9	21.7	23.4

Balance Sheet	**Jun 30 2022**	**Dec 31 2021**
Entertainment content development, net carrying amount	41.3	27.4

	Q2 2022	**Q2 2021**	**2022**	**2021**
Digital Games				
Digital Games revenue	40.3	36.9	91.4	71.0
Operating Income	8.4	12.8	28.2	26.0
Operating Margin[1]	20.8 %	34.7 %	30.9 %	36.6 %
Adjusted Operating Income[2]	10.0	13.7	31.6	27.2
Adjusted Operating Margin[2]	24.8 %	37.1 %	34.6 %	38.3 %
Cash Flow				
Digital Games capital expenditures	2.8	1.6	5.3	3.4

Balance Sheet	**Jun 30 2022**	**Dec 31 2021**
Digital Games app development, net carrying amount	14.2	12.8

[1] Operating Margin is calculated as segment Operating Income divided by segment Revenue.

[2] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

FINANCIAL PERFORMANCE

Consolidated Results

The following tables provide a summary of Spin Master's consolidated results for the three and six months ended June 30, 2022 compared to the same period in 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Revenue	506.3	390.8	115.5	29.6 %
Cost of sales	222.6	180.9	41.7	23.1 %
Gross profit	**283.7**	**209.9**	**73.8**	**35.2 %**
Selling, general and administrative expenses	190.4	149.1	41.3	27.7 %
Depreciation and amortization	6.8	8.7	(1.9)	(21.8)%
Other expense, net	0.6	0.3	0.3	100.0 %
Foreign exchange (gain) loss	(32.3)	4.9	(37.2)	(759.2)%
Operating Income	**118.2**	**46.9**	**71.3**	**152.0 %**
Finance costs	2.3	2.3	—	— %
Income before income tax expense	**115.9**	**44.6**	**71.3**	**159.9 %**
Income tax expense	27.8	11.1	16.7	150.5 %
Net Income	**88.1**	**33.5**	**54.6**	**163.0 %**

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Revenue	930.5	707.4	223.1	31.5 %
Cost of sales	409.5	340.1	69.4	20.4 %
Gross profit	**521.0**	**367.3**	**153.7**	**41.8 %**
Selling, general and administrative expenses	349.0	288.0	61.0	21.2 %
Depreciation and amortization	14.7	17.6	(2.9)	(16.5)%
Other expense (income), net	0.1	(0.5)	0.6	(120.0)%
Foreign exchange (gain) loss	(22.7)	8.6	(31.3)	(364.0)%
Operating Income	**179.9**	**53.6**	**126.3**	**235.6 %**
Finance costs	4.2	4.8	(0.6)	(12.5)%
Income before income tax expense	**175.7**	**48.8**	**126.9**	**260.0 %**
Income tax expense	42.0	12.1	29.9	247.1 %
Net Income	**133.7**	**36.7**	**97.0**	**264.3 %**

Revenue as compared to the same period in 2021:

The following table provides a summary of Spin Master's revenue by segment, for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Toy revenue	437.6	326.4	111.2	34.1 %
Entertainment revenue	28.4	27.5	0.9	3.3 %
Digital Games revenue	40.3	36.9	3.4	9.2 %
Revenue	**506.3**	**390.8**	**115.5**	**29.6 %**

Revenue was $506.3 million, an increase of 29.6% from $390.8 million primarily due to an increase in Toy revenue of 34.1%. Digital Games revenue increased by 9.2% and Entertainment revenue increased by 3.3%. Constant Currency Revenue[1] was $514.7 million, up from $390.8 million, an increase of 31.7%[2].

Toy revenue increased by $111.2 million or 34.1% to $437.6 million driven by growth in Preschool and Dolls & Interactive, Wheels & Action, Activities, Games & Puzzles and Plush, offset by a decline in Outdoor.

Entertainment revenue increased by $0.9 million or 3.3% to $28.4 million from higher distribution revenue related to the *PAW Patrol* series.

Digital Games revenue increased by $3.4 million or 9.2% to $40.3 million. The increase was primarily due to higher in-app purchases in *Toca Life World*.

The following table provides a summary of Spin Master's revenue by segment, for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Toy revenue	788.5	582.0	206.5	35.5 %
Entertainment revenue	50.6	54.4	(3.8)	(7.0)%
Digital Games revenue	91.4	71.0	20.4	28.7 %
Revenue	**930.5**	**707.4**	**223.1**	**31.5 %**

Revenue was $930.5 million, an increase of 31.5% from $707.4 million driven by growth in Toy revenue of 35.5% and Digital Games revenue of 28.7%, offset by a decline in Entertainment revenue of 7.0%. Constant Currency Revenue[1] increased by 33.5%[2] to $944.3 million from $707.4 million.

Toy revenue increased by $206.5 million or 35.5% to $788.5 million, driven by growth in Preschool and Dolls & Interactive and Wheels & Action, offset by a decline in Outdoor.

Entertainment revenue declined by $3.8 million or 7.0% to $50.6 million. The decline was due to fewer content deliveries in the current period.

Digital Games revenue increased by $20.4 million or 28.7% to $91.4 million. The increase was driven by higher in-app purchases in *Toca Life World*.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios"
[2] See "Percentage change in Constant Currency Toy Gross Product Sales" and "Percentage change in Constant Currency Revenue" within "Non-GAAP Financial Measures and Ratios".

Gross Profit as compared to the same period in 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Revenue	506.3	390.8	115.5	29.6 %
Gross profit	283.7	209.9	73.8	35.2 %
Gross Margin	**56.0 %**	**53.7 %**		**2.3 %**

For the three months ended June 30, 2022, gross profit increased by $73.8 million or 35.2% to $283.7 million, primarily driven by a 34.1% increase in Toy revenue.

Gross Margin increased to 56.0% from 53.7% as compared to the same period in 2021, as a result of favourable changes in toy product mix and price increases, offset in part by inflation on product costs and ocean freight. In addition, fewer Entertainment content deliveries resulted in lower amortization, which positively impacted Gross Margin.

	Six Months Ended Jun 30			
(US$ millions)	2022	2021	$ Change	% Change
Revenue	930.5	707.4	223.1	31.5 %
Gross profit	521.0	367.3	153.7	41.8 %
Gross Margin	**56.0 %**	**51.9 %**		**4.1 %**

For the six months ended June 30, 2022, gross profit increased by $153.7 million or 41.8% to $521.0 million, primarily driven by a 35.5% increase in Toy revenue and higher Digital Games revenue.

Gross Margin increased to 56.0% from 51.9%, as a result of favourable changes in toy product mix and price increases, offset in part by inflation on product costs and ocean freight, fewer Entertainment content deliveries resulting in lower amortization, and a higher proportion of Digital Games revenue.

Selling, General and Administrative Expenses ("SG&A") as compared to the same period in 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Administrative	99.0	77.5	21.5	27.7 %
Selling	35.3	24.4	10.9	44.7 %
Marketing	34.8	27.2	7.6	27.9 %
Distribution	14.4	13.7	0.7	5.1 %
Product development	6.9	6.3	0.6	9.5 %
SG&A	**190.4**	**149.1**	**41.3**	**27.7 %**

Administrative expenses increased by $21.5 million or 27.7% to $99.0 million. The increase was primarily due to higher personnel related costs and incentive compensation driven by improved operating results. Administrative expenses as a percentage of consolidated revenue decreased to 19.6% from 19.8%.

Selling expenses increased by $10.9 million or 44.7% to $35.3 million primarily due to increased sales volume of partner licensed brands. Selling expenses as a percentage of Toy revenue increased to 8.1% from 7.5% driven by a greater mix of licensed products.

Marketing expenses increased by $7.6 million or 27.9% to $34.8 million, due to higher media spend and trade shows expenses. Marketing expenses as a percentage of consolidated revenue decreased to 6.9% from 7.0%.

Distribution expenses increased $0.7 million or 5.1% to $14.4 million, primarily due to higher warehousing and outbound transportation costs. Distribution expenses as a percentage of Toy revenue decreased to 3.3% from 4.2% driven by lower domestic sales volume.

Product development expenses were $6.9 million compared to $6.3 million.

(US$ millions)	Six Months Ended Jun 30 2022	2021	$ Change	% Change
Administrative	178.7	146.5	32.2	22.0 %
Selling	64.9	45.1	19.8	43.9 %
Marketing	62.0	53.5	8.5	15.9 %
Distribution	30.5	30.5	—	— %
Product development	12.9	12.4	0.5	4.0 %
SG&A	**349.0**	**288.0**	**61.0**	**21.2 %**

Administrative expenses increased by $32.2 million or 22.0% to $178.7 million. The increase was primarily due to higher personnel related costs and incentive compensation driven by improved operating results. Administrative expenses as a percentage of consolidated revenue decreased to 19.2% from 20.7%

Selling expenses increased by $19.8 million or 43.9% to $64.9 million, due to increased sales volume of partner licensed brands. Selling expenses as a percentage of Toy revenue increased to 8.2% from 7.7% driven by greater mix of licensed products.

Marketing expenses increased by $8.5 million or 15.9% to $62.0 million, due to higher media spend and trade shows expenses. Marketing expenses as a percentage of revenue decreased to 6.7% from 7.6%.

Distribution expenses remained flat at $30.5 million. Distribution expenses as a percentage of Toy revenue declined to 3.9% from 5.2% driven by lower domestic sales volume.

Product development expenses increased by $0.5 million or 4.0% to $12.9 million.

Adjusted SG&A as compared to the same period in 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
SG&A	190.4	149.1	41.3	27.7 %
Adjustments[1]:				
Restructuring and other related costs[2]	(4.5)	—	(4.5)	n.m.
Share based compensation[3]	(4.5)	(4.0)	(0.5)	12.5 %
Transaction costs[4]	(0.4)	(0.6)	0.2	(33.3)%
Adjusted SG&A[5]	**181.0**	**144.5**	**36.5**	**25.3 %**

1) These adjustments relate to items recorded within Administrative expenses.

2) Restructuring and other related costs primarily relates to changes in personnel.

3) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's initial public offering, share option expense and long-term incentive plan.

4) Professional fees incurred relating to acquisitions and other transactions.

5) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Adjusted SG&A[1] increased by $36.5 million or 25.3% to $181.0 million as a result of higher personnel related costs and incentive compensation, as well as increased sales volume of partner licensed brands. Adjusted SG&A[1] as a percentage of revenue decreased to 35.7% from 37.0%, due to a higher proportion of revenues in the second quarter of this year.

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
SG&A	349.0	288.0	61.0	21.2 %
Adjustments[1]:				
Restructuring and other related costs[2]	(5.1)	(0.7)	(4.4)	628.6 %
Share based compensation[3]	(8.6)	(7.2)	(1.4)	19.4 %
Transaction costs[4]	(0.5)	(0.6)	0.1	(16.7)%
Adjusted SG&A[5]	**334.8**	**279.5**	**55.3**	**19.8 %**

1) These adjustments relate to items recorded within Administrative expenses.

2) Restructuring and other related costs primarily relates to changes in personnel.

3) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's initial public offering, share option expense and long-term incentive plan. See Note 19 of the Condensed consolidated interim financial statements.

4) Professional fees incurred relating to acquisitions and other transactions.

5) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Adjusted SG&A[1] increased by $55.3 million or 19.8% to $334.8 million as a result of higher personnel related costs and incentive compensation and higher sales volume of partner licensed brands. Adjusted SG&A[1] as a percentage of revenue decreased to 36.0% from 39.5%, due to a higher proportion of revenues in the second quarter of this year.

Depreciation and Amortization as compared to the same period in 2021:

(US$ millions)	**Q2 2022**	**Q2 2021**	**$ Change**	**% Change**
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	5.2	5.5	(0.3)	(5.5)%
Equipment, included in cost of sales	0.1	0.1	—	— %
Equipment	0.4	0.8	(0.4)	(50.0)%
Building and leasehold improvements	1.3	1.6	(0.3)	(18.8)%
Computer hardware	0.2	0.4	(0.2)	(50.0)%
	7.2	**8.4**	**(1.2)**	**(14.3)%**
Intangible assets				
Entertainment content development, included in cost of sales	2.9	8.4	(5.5)	(65.5)%
Trademarks, licenses, IP & customer lists - definite	1.4	1.5	(0.1)	(6.7)%
Digital Games app development, included in cost of sales	1.1	1.4	(0.3)	(21.4)%
Computer software	0.4	0.9	(0.5)	(55.6)%
	5.8	**12.2**	**(6.4)**	**(52.5)%**
Right-of-use assets	**3.1**	**3.5**	(0.4)	(11.4)%
Depreciation and amortization	**16.1**	**24.1**	**(8.0)**	**(33.2)%**

(US$ millions)	**Q2 2022**	**Q2 2021**	**$ Change**	**% Change**
Included in cost of sales	9.3	15.4	(6.1)	(39.6)%
Included in expenses	6.8	8.7	(1.9)	(21.8)%
Depreciation and amortization	**16.1**	**24.1**	**(8.0)**	**(33.2)%**

For the three months ended June 30, 2022, depreciation and amortization expense decreased by $8.0 million to $16.1 million.

Depreciation and amortization related to property, plant and equipment decreased by $1.2 million or 14.3%, primarily due to lower depreciation for equipment and moulds, dies and tools.

Depreciation and amortization related to intangible assets decreased by $6.4 million or 52.5%, as a result of lower entertainment content development amortization due to fewer content deliveries in the current year.

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	10.4	11.5	(1.1)	(9.6)%
Equipment, included in cost of sales	0.1	0.2	(0.1)	(50.0)%
Equipment	1.0	1.7	(0.7)	(41.2)%
Building and leasehold improvements	2.7	3.2	(0.5)	(15.6)%
Computer hardware	0.4	0.8	(0.4)	(50.0)%
	14.6	**17.4**	**(2.8)**	**(16.1)%**
Intangible assets				
Entertainment content development, included in cost of sales	7.2	14.8	(7.6)	(51.4)%
Trademarks, licenses, IP & customer lists - definite	2.7	3.4	(0.7)	(20.6)%
Digital Games app development, included in cost of sales	2.1	3.1	(1.0)	(32.3)%
Computer software	1.8	1.8	—	— %
	13.8	**23.1**	**(9.3)**	**(40.3)%**
Right-of-use assets	**6.1**	**6.7**	(0.6)	(9.0)%
Depreciation and amortization	**34.5**	**47.2**	**(12.7)**	**(26.9)%**

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Included in cost of sales	19.8	29.6	(9.8)	(33.1)%
Included in expenses	14.7	17.6	(2.9)	(16.5)%
Depreciation and amortization	**34.5**	**47.2**	**(12.7)**	**(26.9)%**

For the six months ended June 30, 2022, depreciation and amortization decreased by $12.7 million to $34.5 million.

Depreciation and amortization related to property, plant and equipment decreased by $2.8 million or 16.1%, primarily due to lower depreciation for moulds, dies and tools and equipment.

Depreciation and amortization related to intangible assets decreased by $9.3 million or 40.3%, primarily due to lower entertainment content development amortization due to fewer content deliveries in the current year.

Foreign Exchange (Gain) Loss as compared to the same period in 2021:
For the three months ended June 30, 2022, the Company incurred a foreign exchange gain of $32.3 million (unrealized gain of $22.3 million and realized gain of $10.0 million) due to fluctuations in currency exchange rates primarily in the Canadian dollar, Swedish krona, Russian ruble, as compared to a net foreign exchange loss of $4.9 million (unrealized loss of $7.7 million and realized gain of $2.8 million).

For the six months ended June 30, 2022, the Company incurred a foreign exchange gain of $22.7 million (unrealized gain of $11.9 million and realized gain of $10.8 million), due to fluctuations in currency exchange rates, primarily in the Swedish krona, Canadian dollar and Great Britain pound sterling, compared to a net foreign exchange loss of $8.6 million (unrealized loss of $10.1 million and realized gain of $1.5 million).

Unrealized foreign exchange gains and losses are generated by the translation of monetary assets and liabilities denominated in a currency other than the functional currency and also includes gains and losses related to the Company's hedging programs. Realized foreign exchange gains and losses are recognized when monetary assets and liabilities denominated in a currency other than the functional currency of the applicable entity are settled. The Company uses derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk.

Operating Income and Adjusted Operating Income[1] as compared to the same period in 2021:
Operating Income for the three months ended June 30, 2022 was $118.2 million, an increase of $71.3 million from $46.9 million. Adjusted Operating Income[1] for the three months ended June 30, 2022 was $97.6 million, an increase of $39.9 million from $57.7 million. The increase in Operating Income was primarily driven by an increase in Toys Operating Income of $34.1 million and Entertainment Operating Income of $5.0 million.

Operating Income for the six months ended June 30, 2022 was $179.9 million, an increase of $126.3 million from $53.6 million. Adjusted Operating Income[1] for the six months ended June 30, 2022 was $174.9 million, an increase of $103.6 million from $71.3 million. The increase in Operating Income was primarily driven by an increase in Toys Operating Income of $87.6 million, Digital Games Operating Income of $2.2 million and Entertainment Operating Income of $5.6 million.

Finance Costs as compared to the same period in 2021:
For the three months ended June 30, 2022, finance costs were flat at $2.3 million.

For the six months ended June 30, 2022, finance costs decreased by $0.6 million to $4.2 million. The decrease was primarily due to higher interest income.

Income Tax Expense as compared to the same period in 2021:
For the three months ended June 30, 2022, the Company had an income tax expense of $27.8 million compared to $11.1 million. The effective tax rate was 24.0% compared to 24.9%.

For the six months ended June 30, 2022, the Company had an income tax expense of $42.0 million compared to $12.1 million. The effective tax rate was 23.9% compared to 24.8%.

Net Income and Adjusted Net Income as compared to the same period in 2021:
Net income for the three months ended June 30, 2022 was $88.1 million, an increase of $54.6 million from $33.5 million. Adjusted Net Income[1] for the three months ended June 30, 2022 was $72.4 million, an increase of $30.8 million from $41.6 million.

Net Income for the six months ended June 30, 2022 was $133.7 million, an increase of $97.0 million from $36.7 million. Adjusted Net Income[1] for the six months ended June 30, 2022 was $129.9 million, an increase of $79.9 million from $50.0 million.

Adjusted EBITDA as compared to the same period in 2021:
Adjusted EBITDA[1] increased to $113.7 million with Adjusted EBITDA Margin[1] of 22.5%, compared to $81.8 million and 20.9% respectively. The increase in Adjusted EBITDA[1] was primarily driven by higher gross profit partially offset by higher administrative, selling and marketing expenses.

Adjusted EBITDA[1] for the six months ended June 30, 2022 was $209.4 million compared to $118.5 million. Adjusted EBITDA Margin[1] was 22.5% compared to 16.8%. The increase in Adjusted EBITDA[1] was primarily driven by higher gross profit partially offset by higher administrative, selling and marketing expenses. Adjusted EBITDA Margin[1] improved due to higher Toys gross margin and lower administrative, distribution and marketing expenses as a percentage of revenue.

Segmented Results

The Company revised its reportable segments effective January 1, 2022. The Company's reportable segments are: Toys, Entertainment and Digital Games. The Company's results from operations by reportable segment for the three months ended June 30, 2022 and 2021 are as follows:

(US$ millions)	**Q2 2022**					**Q2 2021**				
	Toys	**Entertainment**	**Digital Games**	**Corporate & Other**	**Total**	**Toys**	**Entertainment**	**Digital Games**	**Corporate & Other**	**Total**
Revenue	437.6	28.4	40.3	—	506.3	326.4	27.5	36.9	—	390.8
Operating Income	**62.6**	**17.5**	**8.4**	**29.7**	**118.2**	**28.5**	**12.5**	**12.8**	**(6.9)**	**46.9**
Restructuring and other related costs	4.4	0.1	—	—	4.5	—	—	—	—	—
Foreign exchange (gain) loss	—	—	—	(32.3)	(32.3)	—	—	—	4.9	4.9
Share based compensation	3.1	0.4	0.6	0.4	4.5	3.7	0.1	0.2	—	4.0
Impairment of intangible assets	—	—	—	—	—	—	—	0.5	—	0.5
Legal settlement	—	—	—	(0.6)	(0.6)	—	—	—	—	—
Acquisition related deferred incentive compensation	1.6	—	1.0	—	2.6	1.3	—	0.2	—	1.5
Net unrealized gain on investment	—	—	—	(0.1)	(0.1)	—	—	—	(0.3)	(0.3)
Investment distribution income	—	—	—	(0.1)	(0.1)	—	—	—	(0.4)	(0.4)
Loss on Minority interest and other investments	—	—	—	0.5	0.5	—	—	—	—	—
Transaction costs	—	—	—	0.4	0.4	—	—	—	0.6	0.6
Adjusted Operating Income	**71.7**	**18.0**	**10.0**	**(2.1)**	**97.6**	**33.5**	**12.6**	**13.7**	**(2.1)**	**57.7**
Depreciation and amortization	11.5	3.1	1.5	—	16.1	13.8	8.4	1.9	—	24.1
Adjusted EBITDA	**83.2**	**21.1**	**11.5**	**(2.1)**	**113.7**	**47.3**	**21.0**	**15.6**	**(2.1)**	**81.8**

The Company's results from operations by reportable segment for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30									
(US$ millions)	2022					2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	788.5	50.6	91.4	—	930.5	582.0	54.4	71.0	—	707.4
Operating Income	**104.0**	**28.7**	**28.2**	**19.0**	**179.9**	**16.4**	**23.1**	**26.0**	**(11.9)**	**53.6**
Restructuring and other related costs	4.9	0.1	0.1	—	5.1	0.7	—	—	—	0.7
Foreign exchange (gain) loss	—	—	—	(22.7)	(22.7)	—	—	—	8.6	8.6
Share based compensation	6.1	0.6	1.1	0.8	8.6	6.5	0.2	0.5	—	7.2
Impairment of intangible assets	—	—	—	—	—	—	0.9	0.5	—	1.4
Legal settlement	—	—	—	(2.1)	(2.1)	—	—	—	—	—
Acquisition related deferred incentive compensation	3.1	—	2.2	—	5.3	1.3	—	0.2	—	1.5
Net unrealized gain on investment	—	—	—	(0.1)	(0.1)	—	—	—	(1.2)	(1.2)
Investment distribution income	—	—	—	(0.1)	(0.1)	—	—	—	(0.4)	(0.4)
Loss on Minority interest and other investments	—	—	—	0.5	0.5	—	—	—	—	—
Acquisition related contingent consideration	—	—	—	—	—	(0.7)	—	—	—	(0.7)
Transaction costs	—	—	—	0.5	0.5	—	—	—	0.6	0.6
Adjusted Operating Income	**118.1**	**29.4**	**31.6**	**(4.2)**	**174.9**	**24.2**	**24.2**	**27.2**	**(4.3)**	**71.3**
Depreciation and amortization	24.0	7.5	3.0	—	34.5	28.2	15.0	4.0	—	47.2
Adjusted EBITDA	**142.1**	**36.9**	**34.6**	**(4.2)**	**209.4**	**52.4**	**39.2**	**31.2**	**(4.3)**	**118.5**

Toys Segment Results

The following table provides a summary of Toys segment operating results, for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Toy Gross Product Sales[1, 2]	484.4	359.0	125.4	34.9 %
Toy revenue	437.6	326.4	111.2	34.1 %
Operating Income	62.6	28.5	34.1	119.6 %
Operating Margin	14.3 %	8.7 %		5.6 %
Adjusted EBITDA[1]	83.2	47.3	35.9	75.9 %
Adjusted EBITDA Margin[1]	19.0 %	14.5 %		4.5 %
Cash Flow Data				
Toys capital expenditures	9.8	8.7	1.1	12.6 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

[2] Toy Gross Product Sales represents Toy revenue excluding Sales Allowances.

Toy revenue increased by $111.2 million or 34.1% to $437.6 million. Toy Gross Product Sales increased by $125.4 million or 34.9%, to $484.4 million from $359.0 million. Constant Currency Toy Gross Product Sales[1] increased by $131.2 million or 36.5%[2] to $490.2 million, up from $359.0 million. The improvement in Toy revenue and Toy Gross Product Sales was driven by an increase in shipments in the second quarter compared to the prior year as a result of customers ordering earlier, as well as strong customer demand.

Operating Income increased by $34.1 million or 119.6% to $62.6 million. Operating Margin was 14.3% compared to 8.7%. Adjusted EBITDA increased by $35.9 million to $83.2 million. Adjusted EBITDA Margin[1] was 19.0% compared to 14.5%. The improvement in Operating Margin and Adjusted EBITDA Margin[1] was driven by improved gross margin from favourable changes in product mix and price increases, as well as lower administrative and distribution expenses as a percentage of revenue, offset in part by inflation on product costs and ocean freight.

Toys capital expenditures increased by $1.1 million to $9.8 million, primarily as a result of higher investments in moulds, dies and tools.

Toys Segment Results

The following table provides a summary of the Toys segment's operating results for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Toy Gross Product Sales[1, 2]	881.9	653.7	228.2	34.9 %
Toy revenue	788.5	582.0	206.5	35.5 %
Operating Income	104.0	16.4	87.6	534.1 %
Operating Margin	13.2 %	2.8 %		10.4 %
Adjusted EBITDA[1]	142.1	52.4	89.7	171.2 %
Adjusted EBITDA Margin[1]	18.0 %	9.0 %		9.0 %
Cash Flow and Balance Sheet Data				
Toys capital expenditures	17.0	13.9	3.1	22.3 %
	Jun 30, 2022	**Dec 31, 2021**	**$ Change**	**% Change**
Moulds, dies and tools, net carrying amount	23.5	21.2	2.3	10.8 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

[2] Toy Gross Product Sales represents Toy revenue excluding Sales Allowances.

Toy revenue increased by $206.5 million or 35.5% to $788.5 million. Toy Gross Product Sales[1] increased by $228.2 million or 34.9%, to $881.9 million from $653.7 million. Constant Currency Toy Gross Product Sales[1] increased by $239.1 million or 36.6%[2] to $892.8 million, up from $653.7 million. The improvement in Toy revenue and Toy Gross Product Sales[1] was driven by an increase in shipments in the second quarter compared to the prior year as a result of customers ordering earlier, as well as strong customer demand.

Operating Income increased by $87.6 million or 534.1% to $104.0 million. Operating Margin was 13.2% compared to 2.8%. Adjusted EBITDA increased by $89.7 million to $142.1 million. Adjusted EBITDA Margin[1] was 18.0% compared to 9.0%. The improvement in Operating Margin and Adjusted EBITDA Margin[1] was driven primarily by higher revenues and improved gross margin from changes in product mix, price increases and lower administrative, distribution and marketing expenses as a percentage of revenue, offset in part by inflation on product costs and ocean freight.

Toys capital expenditures increased by $3.1 million to $17.0 million, primarily as a result of higher investments in moulds, dies and tools.

Moulds, dies and tools, net carrying amount was $23.5 million compared to $21.2 million.

Toy Revenue

For the three months ended June 30, 2022 as compared to the same period in 2021:

The following table provides a summary of Spin Master's Toy revenue, by product category, for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Preschool and Dolls & Interactive[1]	228.8	149.6	79.2	52.9 %
Activities, Games & Puzzles and Plush	123.6	98.0	25.6	26.1 %
Wheels & Action[1]	115.8	77.7	38.1	49.0 %
Outdoor[2]	16.2	33.7	(17.5)	(51.9)%
Toy Gross Product Sales [3]	**484.4**	**359.0**	**125.4**	**34.9 %**
Sales Allowances[4]	(46.8)	(32.6)	14.2	43.6 %
Toy revenue	**437.6**	**326.4**	**111.2**	**34.1 %**

[1] Effective Q4 2021, the "Preschool and Girls" product category was renamed "Preschool and Dolls & Interactive" and the "Boys" product category was renamed "Wheels & Action".

[2] Outdoor includes $9.9 million in Q2 2021 related to certain brands associated with divestiture of manufacturing assets in Q1 2022.

[3] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

[4] The Company enters into arrangements to provide sales allowances requested by customers relating to cooperative advertising, contractual and negotiated discounts, volume rebates, and costs incurred by customers to sell the Company's products.

Toy Gross Product Sales within Preschool, Dolls & Interactive increased by $79.2 million or 52.9% to $228.8 million, arising from an increase in sales of *Gabby's Dollhouse, Wizarding World, Paw Patrol* and *Purse Pets*, offset in part by a decrease in *Present Pets*.

Toy Gross Product Sales within Activities, Games & Puzzles and Plush increased by $25.6 million or 26.1% to $123.6 million, mainly due to increases in *Rubik's,* the Games & Puzzles portfolio, *PixoBitz* and *GUND.*

Toy Gross Product Sales within Wheels & Action increased by $38.1 million or 49.0% to $115.8 million, led by increases in *Monster Jam*, *Tech Deck, Bakugan* and *DC Comics* licensed products.

Toy Gross Product Sales within Outdoor decreased by $17.5 million or 51.9% to $16.2 million, primarily driven by a decrease in *SwimWays*. Outdoor includes $9.9 million in Q2 2021 related to certain brands associated with divestiture of manufacturing assets in Q1 2022.

Sales Allowances increased by $14.2 million or 43.6% to $46.8 million. As a percentage of Toy Gross Product Sales, Sales Allowances increased by 0.6% to 9.7% from 9.1%, primarily driven by a change in customer and geographic mix offset by lower markdowns.

Revenue by Geographic Area

Toy Gross Product Sales by geographical area are based on the location of the customers. The following table provides a summary of Spin Master's Toy Gross Product Sales by geographic area for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	% of GPS	Q2 2021	% of GPS	$ Change	Change in % of GPS
North America	340.1	70.2 %	252.4	70.3 %	87.7	(0.1)%
Europe	86.4	17.8 %	61.5	17.1 %	24.9	0.7 %
Rest of World	57.9	12.0 %	45.1	12.6 %	12.8	(0.6)%
International	144.3	29.8 %	106.6	29.7 %	37.7	0.1 %
Toy Gross Product Sales[1]	**484.4**	**100.0 %**	**359.0**	**100.0 %**	**125.4**	
Sales Allowances	(46.8)	(9.7)%	(32.6)	(9.1)%	(14.2)	(0.6)%
Toy revenue	**437.6**		**326.4**		**111.2**	

1) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

As a percentage of total Toy Gross Product Sales, the North America segment decreased 0.1% to 70.2% compared to 70.3%. International sales, comprised of the Europe and Rest of World segments, increased 0.1% to 29.8% compared to 29.7%.

Toy Gross Product Sales in North America increased by $87.7 million or 34.7% to $340.1 million. The increase was driven by *Gabby's Dollhouse, Wizarding World, Monster Jam* and *PAW Patrol,* partially offset by *SwimWays*.

Toy Gross Product Sales in Europe increased by $24.9 million or 40.5% to $86.4 million, with an unfavourable foreign exchange impact of $5.2 million. The increase was driven by *Wizarding World, Purse Pets,* and *PAW Patrol*.

Toy Gross Product Sales in Rest of World increased by $12.8 million or 28.4% to $57.9 million, with an unfavourable foreign exchange impact of $0.5 million. The increase arose from *Gabby's Dollhouse, Wizarding World and Rubik's*.

For the six months ended June 30, 2022 as compared to the same period in 2021:

The following table provides a summary of Spin Master's Toy revenue, including by product category, for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Preschool and Dolls & Interactive[1]	380.6	246.8	133.8	54.2 %
Activities, Games & Puzzles and Plush	225.5	185.5	40.0	21.6 %
Wheels & Action[1]	215.5	145.7	69.8	47.9 %
Outdoor[2]	60.3	75.7	(15.4)	(20.3)%
Toy Gross Product Sales[3]	**881.9**	**653.7**	**228.2**	**34.9 %**
Sales Allowances[4]	(93.4)	(71.7)	(21.7)	30.3 %
Toy revenue	**788.5**	**582.0**	**206.5**	**35.5 %**

[1] Effective Q4 2021, the "Preschool and Girls" product category was renamed "Preschool and Dolls & Interactive" and the "Boys" product category was renamed "Wheels & Action".

[2] Outdoor includes $16.3 million in Q2 2021 related to certain brands associated with divestiture of manufacturing assets in Q1 2022.

[3] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

[4] The Company enters into arrangements to provide sales allowances requested by customers relating to cooperative advertising, contractual and negotiated discounts, volume rebates, and costs incurred by customers to sell the Company's products.

Toy Gross Product Sales within Preschool, Dolls & Interactive increased by $133.8 million or 54.2% to $380.6 million, arising from sales of *Gabby's Dollhouse, Wizarding World*, *PAW Patrol* and *Purse Pets*, offset in part by a decline in *Present Pets* and *Twistypetz*.

Toy Gross Product Sales within Activities, Games & Puzzles and Plush increased by $40.0 million or 21.6% to $225.5 million, mainly due to increases in *Rubik's, GUND* and the Games & Puzzles Portfolio.

Toy Gross Product Sales within Wheels & Action increased by $69.8 million or 47.9%% to $215.5 million, led by increases in *DC* Comics licensed products and *Monster Jam* and *Tech Deck*.

Toy Gross Product Sales within Outdoor decreased by $15.4 million or 20.3% to $60.3 million, primarily driven by decrease in *SwimWays*. Outdoor includes $16.3 million for the prior period related to certain brands associated with divestiture of manufacturing assets in Q1 2022.

Sales Allowances increased by $21.7 million or 30.3% to $93.4 million. As a percentage of Toy Gross Product Sales, Sales Allowances declined 0.4% to 10.6% from 11.0%, primarily driven by lower markdowns offset by change in customer and geographic mix.

Revenue by Geographic Area

The following table provides a summary of Spin Master’s Toy Gross Product Sales by geographic area for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30					
(US$ millions)	**2022**	**% of GPS**	**2021**	**% of GPS**	**$ Change**	**Change in % of GPS**
North America	578.7	65.6 %	423.0	64.7 %	155.7	0.9 %
Europe	200.0	22.7 %	150.6	23.0 %	49.4	(0.3)%
Rest of World	103.2	11.7 %	80.1	12.3 %	23.1	(0.6)%
International	303.2	34.4 %	230.7	35.3 %	72.5	(0.9)%
Toy Gross Product Sales[1]	**881.9**	**100.0 %**	**653.7**	**100.0 %**	**228.2**	
Sales Allowances	(93.4)	(10.6)%	(71.7)	(11.0)%	(21.7)	0.4 %
Toy revenue	**788.5**		**582.0**		**206.5**	

1) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

As a percentage of total Toy Gross Product Sales, the North America segment increased 0.9% to 65.6% compared to 64.7%. International sales, comprised of the Europe and Rest of World segments, decreased 0.9% to 34.4% compared to 35.3%.

Toy Gross Product Sales in North America increased by $155.7 million or 36.8% to $578.7 million. The increase was driven by *Gabby's Dollhouse, Paw Patrol, Monster Jam, DC Comics* and *Wizarding World,* partially offset by *SwimWays* and *Present Pets*.

Toy Gross Product Sales in Europe increased by $49.4 million or 32.8% to $200.0 million, with an unfavourable foreign exchange impact of $10.0 million. The increase was driven by *Wizarding World, Purse Pets and DC Comics*, partially offset by *Hatchimals*.

Toy Gross Product Sales in Rest of World increased by $23.1 million or 28.8% to $103.2 million, with an unfavourable foreign exchange impact of $0.8 million. The increase was driven by *Wizarding World, Gabby's Dollhouse, DC Comics, Rubik's* and *PAW Patrol*, offset in part by *Hatchimals*.

Toys Segment Trend Analysis

(US$ millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Toy Gross Product Sales[1]	484.4	397.5	627.5	681.2	359.0	294.7
Toy revenue	437.6	350.9	542.0	607.8	326.4	255.6
Operating Income	62.6	41.4	14.6	128.0	28.5	(12.1)
Operating Margin	14.3%	11.8%	2.7%	21.1%	8.7%	(4.7)%
Adjusted EBITDA[1]	83.2	58.9	40.8	146.5	47.3	5.1
Adjusted EBITDA Margin[1]	19.0%	16.8%	7.5%	24.1%	14.5%	2.0%
Cash Flow and Balance Sheet Data						
Toys capital expenditures	9.8	7.2	3.8	9.1	8.7	5.2
Moulds, dies and tools, net carrying amount[2]	23.5	21.9	21.2	23.6	23.6	20.6

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

[2] Net carrying amount represents balance as at end of the period.

Entertainment Segment Results

The following table provides a summary of the Entertainment segment's operating results, for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Entertainment revenue	28.4	27.5	0.9	3.3 %
Operating Income	17.5	12.5	5.0	40.0 %
Operating Margin	61.6 %	45.5 %		16.1 %
Adjusted Operating Income[1]	18.0	12.6	5.4	42.9 %
Adjusted Operating Margin[1]	63.4 %	45.8 %		17.6 %
Cash Flow Data				
Entertainment capital expenditures	14.9	14.9	—	— %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Entertainment revenue increased by $0.9 million or 3.3% to $28.4 million, from higher distribution revenue related to the *PAW Patrol* series.

Operating Income increased by $5.0 million or 40.0% to $17.5 million. The increase was primarily a result of the mix of Entertainment content deliveries.

Operating Margin was 61.6% compared to 45.5%. The increase was primarily a result of the mix of Entertainment content deliveries which resulted in lower amortization expense in relation to revenue.

Adjusted Operating Income was $18.0 million compared to $12.6 million. The increase was primarily a result of the mix of Entertainment content deliveries.

Adjusted Operating Margin[1] was 63.4% compared to 45.8%. This increase was driven primarily by fewer Entertainment content deliveries in the current period, which resulted in lower amortization expense.

Entertainment capital expenditures were flat at $14.9 million.

The following table provides a summary of the Entertainment segment's operating results for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30			
(US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Entertainment revenue	50.6	54.4	(3.8)	(7.0)%
Operating Income	28.7	23.1	5.6	24.2 %
Operating Margin	56.7 %	42.5 %		14.2 %
Adjusted Operating Income[1]	29.4	24.2	5.2	21.5 %
Adjusted Operating Margin[1]	58.1 %	44.5 %		13.6 %
Cash Flow and Balance Sheet Data				
Entertainment capital expenditures	21.7	23.4	(1.7)	(7.3)%
	Jun 30 2022	**Dec 31 2021**	**$ Change**	**% Change**
Entertainment content development, net carrying amount	41.3	27.4	13.9	50.7 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Entertainment revenue decreased by $3.8 million or 7.0% to $50.6 million, due to fewer content deliveries in the current period. Deliveries in the first half of 2022 included the *PAW Patrol* series and *Bakugan Evolutions* as compared to 2021, which included *PAW Patrol* series*, Bakugan Evolutions, Mighty Express and Abby Hatcher.*

Operating Income increased by $5.6 million or 24.2% to $28.7 million. Operating Income increased due to lower Entertainment amortization expenses due to fewer content deliveries in the six months ended June 30, 2022.

Operating Margin was 56.7% compared to 42.5%. The increase was primarily a result of the mix of Entertainment content deliveries which resulted in lower amortization expense in relation to revenue.

Adjusted Operating Income was $29.4 million compared to $24.2 million.

Adjusted Operating Margin[1] was 58.1% compared to 44.5%. This increase was driven primarily by the mix of Entertainment content deliveries which resulted in lower amortization expense.

Entertainment capital expenditures decreased by $1.7 million to $21.7 million, primarily as a result of lower content production costs.

Entertainment content development, net carrying amount increased by $13.9 million to $41.3 million, primarily as a result of content production costs on series and films, including *PAW Patrol* series*, PAW Patrol: The Mighty Movie* and other projects in production.

Entertainment Segment Trend Analysis

(US$ millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Entertainment revenue	28.4	22.2	28.5	52.9	27.5	26.9
Operating Income	17.5	11.2	12.1	18.2	12.5	10.6
Operating Margin	61.6 %	50.5 %	42.5 %	34.4 %	45.5 %	39.4%
Adjusted Operating Income[1]	18.0	11.4	13.4	18.3	12.6	11.6
Adjusted Operating Margin[1]	63.4 %	51.4%	47.0%	34.6%	45.8 %	43.1%
Cash Flow and Balance Sheet Data						
Entertainment capital expenditures	14.9	6.8	12.1	8.5	14.9	8.5
Entertainment content development, net carrying amount[2]	41.3	30.2	27.4	20.1	39.1[3]	35.2

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

[2] Net carrying amount represents balance as at end of the period.

[3] Includes Entertainment content development costs associated with *PAW Patrol: The Movie*.

Digital Games Segment Results

The following table provides a summary of the Digital Games segment's operating results, for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change	% Change
Digital Games revenue	40.3	36.9	3.4	9.2 %
Operating Income	8.4	12.8	(4.4)	(34.4)%
Operating Margin	20.8 %	34.7 %		(13.9)%
Adjusted Operating Income[1]	10.0	13.7	(3.7)	(27.0)%
Adjusted Operating Margin[1]	24.8 %	37.1 %		(12.3)%
Cash Flow Data				
Digital Games capital expenditures	2.8	1.6	1.2	75.0 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Digital Games revenue increased by $3.4 million or 9.2% to $40.3 million, due to higher in-app purchases in *Toca Life World*. Constant Currency Digital Games Revenue[1] increased by $6.1 million or 16.5%[2] to $43.0 million, up from $36.9 million.

Operating Income decreased by $4.4 million or 34.4% to $8.4 million. Adjusted Operating Income[1] decreased by $3.7 million or 27.0% to $10.0 million from $13.7 million.

The decreases to Operating Income and Adjusted Operating Income[1] were driven primarily by higher product development and personnel costs related to the investment in future products, offset by higher in-app purchases in *Toca Life World*.

Operating Margin was 20.8% compared to 34.7%.

Adjusted Operating Margin[1] was 24.8% compared to 37.1%, due to higher product development and personnel costs related to the investment in future products, as well as higher marketing costs to acquire users, partially offset by higher revenue from in-app purchases in *Toca Life World*.

Digital Games capital expenditures was $2.8 million compared to $1.6 million, an increase of $1.2 million or 75.0%, primarily as a result of higher Digital Games app development costs related to both current and future products.

The following table provides a summary of the Digital Games segment's operating results for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30			
(US$ millions)	2022	2021	$ Change	% Change
Digital Games revenue	91.4	71.0	20.4	28.7 %
Operating Income	28.2	26.0	2.2	8.5 %
Operating Margin	30.9 %	36.6 %		(5.7)%
Adjusted Operating Income[1]	31.6	27.2	4.4	16.2 %
Adjusted Operating Margin[1]	34.6 %	38.3 %		(3.7)%
Cash Flow and Balance Sheet Data				
Digital Games capital expenditures	5.3	3.4	1.9	55.9 %
	Jun 30 2022	**Dec 31 2021**	**$ Change**	**% Change**
Digital Games app development, net carrying amount	14.2	12.8	1.4	10.9 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Digital Games revenue increased by $20.4 million or 28.7% to $91.4 million, driven primarily by higher in-app purchases in *Toca Life World*. Constant Currency Digital Games Revenue[1] increased by $24.7 million or 34.8%[2] to $95.7 million, up from $71.0 million.

Operating Income increased by $2.2 million or 8.5% to $28.2 million. Adjusted Operating Income[1] increased by $4.4 million or 16.2% to $31.6 million from $27.2 million.

The increases to Operating Income and Adjusted Operating Income[1] were driven primarily by higher in-app purchases in *Toca Life World* offset by higher product development and personnel costs.

Operating Margin was 30.9% compared to 36.6%.

Adjusted Operating Margin[1] was 34.6% compared to 38.3%, due to higher product development and personnel costs related to the investment in future products, as well as higher marketing costs to acquire users, partially offset by higher revenue from in-app purchases in *Toca Life World*.

Digital Games capital expenditures was $5.3 million compared to $3.4 million, an increase of $1.9 million or 55.9%, primarily as a result of higher Digital Games app development costs.

Digital Games app development, net carrying amount was $14.2 million compared to $12.8 million.

Digital Games Segment Trend Analysis

(US$ millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Digital Games revenue	40.3	51.1	50.0	53.8	36.9	34.1
Operating Income	8.4	19.8	17.3	24.2	12.8	13.2
Operating Margin	20.8 %	38.7 %	34.6 %	45.0 %	34.7 %	38.7%
Adjusted Operating Income[1]	10.0	21.6	19.0	26.0	13.7	13.5
Adjusted Operating Margin[1]	24.8 %	42.3%	38.0%	48.3%	37.1 %	39.6%
Cash Flow and Balance Sheet Data						
Digital Games capital expenditures	2.8	2.5	2.9	2.4	1.6	1.8
Digital Games app development, net carrying amount[2]	14.2	13.6	12.8	11.9	9.2[3]	3.3

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

[2] Net carrying amount represents balance as at end of the period.

[3] Includes Digital Games app development related to *Originator Inc.* acquired in Q2 2021.

Corporate & Other for the three and six months ended June 30, 2022 as compared to the same period in 2021:

For the three months ended June 30, 2022**,** Operating Income increased by $36.6 million to $29.7 million as a result of a higher foreign exchange gain due to fluctuations in currency exchange rates. Adjusted Operating Loss[1] was flat at $2.1 million. For the six months ended June 30, 2022, Operating Income increased by $30.9 million to $19.0 million as a result of a higher foreign exchange gain. Adjusted Operating Loss[1] decreased to $4.2 million compared to $4.3 million.

INVESTMENTS AND ACQUISITIONS

Acquisition of Rubik's Brand Limited

On January 4, 2021, the Company completed the acquisition of Rubik's Brand Limited by acquiring 100% of the shares of its holding company, Rubiks Malta Holding Company Limited (“Rubik’s”). Rubik’s is a licensor and distributor of various editions of the Rubik’s product lines and qualifies as a business under IFRS 3, Business Combinations ("IFRS 3"). The Company secured the global intellectual property for the Rubik’s portfolio and the ability to sell, market and license for further penetration directly to wholesale customers or continue to sell indirectly through distributors into markets as well as expansion into new territories. The brand has been reported in the Toys segment within the Activities, Games & Puzzles and Plush product category and included in the Rubik's cash-generating unit ("CGU") beginning from the date of acquisition.

The total purchase consideration of $55.2 million was comprised of $51.4 million of cash consideration plus $3.8 million related to the estimated fair value of future royalties. The total purchase consideration has been allocated to the identifiable intangible assets based on their estimated fair values of $38.1 million (related to brands and customer relationships), tangible assets of $6.5 million and assumed liabilities of $12.0 million with the remainder allocated to goodwill.

Acquisition of certain assets from a product invention and development company

On April 16, 2021, the Company acquired assets and assumed liabilities of a product invention and development company which constitutes a business under IFRS 3. Included in the acquisition is an assembled workforce to complement the Company's toy innovation and development capabilities. The acquisition has been reported in the Toys segment and CGU from the date of acquisition.

The total purchase consideration was comprised of $7.5 million of cash consideration and has been allocated as $0.7 million of tangible assets and $0.7 million of assumed liabilities with the remainder allocated to goodwill.

Acquisition of Originator Inc.

On June 14, 2021, the Company acquired 100% of the shares of Originator Inc., which qualifies as a business under IFRS 3. Originator Inc. is a developer and publisher of education focused mobile apps for kids and families and was acquired to complement Sago Mini's edutainment digital games offering. The acquisition has been reported in the Digital Games segment and CGU and its revenue is included within Digital Games revenue from the date of acquisition.

The total purchase consideration was comprised of $15.0 million of cash consideration. The total purchase consideration has been allocated to identifiable intangible assets based on their estimated fair values of $9.1 million (related to brands, customer relationships and Digital Games app development), tangible assets of $0.6 million and assumed liabilities of $2.9 million with the remainder allocated to goodwill.

Spin Master Ventures

On October 19, 2021, the Company announced the creation of Spin Master Ventures ("SMV"). SMV's focus is to accelerate growth in each of the Company's three creative centres comprising of Toys, Entertainment and Digital Games, through minority investments. Spin Master will initially allocate $100 million of capital to SMV, funded from existing internal resources.

In the first quarter of 2022, SMV made minority investments in two companies for a total of $1.0 million. In the second quarter of 2022, the Company invested in a children's consumer products company based in the U.S. for a total of $3.0 million.

The SMV portfolio currently consists of the following investments:

	Creative Centre	Location	Acquisition date	Initial investment	Jun 30, 2022	Dec 31, 2021
Classified as FVTPL						
Education technology company	Digital Games	Canada	Q3 2021	1.8	1.8	1.8
Virtual reality gaming company	Digital Games	U.K.	Q1 2022	0.5	0.5	—
Content streaming platform[1]	Entertainment	U.S.A	Q1 2022	0.5	—	—
Baby consumer product brand	Toys	U.S.A	Q2 2022	3.0	3.0	—
Classified as FVTOCI						
Mobile game development company[2]	Digital Games	Sweden	Q3 2021	0.6	0.7	0.6
				6.4	**6.0**	**2.4**

[1] Fair value loss of $0.5 million recorded in Q2 2022 through the statement of earnings

[2] Fair value gain of $0.1 million recorded in Q2 2022 through other comprehensive income.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides selected historical information and other data, which should be read in conjunction with the annual financial statements and current and past interim financial statements.

(in US$ millions, except EPS)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue	506.3	424.2	620.5	714.5	390.8	316.6	490.6	571.6
Operating Income (Loss)	118.2	61.7	39.1	179.5	46.9	6.7	(1.0)	104.1
Operating Margin	23.3%	14.5%	6.3%	25.1%	12.0%	2.1%	(0.2)%	18.2%
Adjusted Operating Income	97.6	77.3	55.3	175.6	57.7	13.6	23.9	113.5
Adjusted Operating Margin	19.3%	18.2%	8.9%	24.6%	14.8%	4.3%	4.9%	19.9%
Net Income	88.1	45.6	26.5	135.4	33.5	3.2	0.3	86.8
Basic EPS	$0.86	$0.45	$0.26	$1.32	$0.33	$0.03	$—	$0.85
Diluted EPS	$0.83	$0.43	$0.25	$1.29	$0.32	$0.03	$—	$0.83
Adjusted EBITDA[1]	113.7	95.7	78.3	217.3	81.8	36.7	51.5	139.9
Adjusted EBITDA Margin[1]	22.5%	22.6%	12.6%	30.4%	20.9%	11.6%	10.5%	24.5%
Adjusted Net Income[1]	72.4	57.5	38.7	132.6	41.6	8.4	14.6	95.1
Adjusted Basic EPS[1]	$0.70	$0.56	$0.38	$1.30	$0.41	$0.08	$0.14	$0.93
Adjusted Diluted EPS[1]	$0.68	$0.55	$0.37	$1.26	$0.40	$0.08	$0.14	$0.91
Balance Sheet and Cash Flow								
Cash and cash equivalents	558.1	493.1	562.7	360.5	310.7	262.3	320.6	207.3
Cash provided by (used in) operating activities	111.6	(62.9)	230.1	85.8	94.2	9.0	138.2	117.2
Cash used in investing activities	(30.4)	(8.3)	(19.6)	(22.7)	(46.9)	(64.0)	(19.3)	(20.2)
Free Cash Flow[1]	84.1	(79.4)	211.3	65.8	69.0	(6.5)	123.7	96.0

1) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Seasonality factors cause the Company's operating results to fluctuate significantly from quarter to quarter. In particular, Toy revenue is concentrated in the third and fourth quarters of a fiscal year with a significant portion of its Net Income earned and cash flows generated during the same period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is cash flow from operations. As a result of the seasonal nature of the toy industry, working capital requirements are variable throughout the year. Working capital needs typically grow through the first three quarters as inventories are built up for the peak sales periods for retailers in the fourth quarter. The Company's cash flows from operating activities are typically at their highest levels of the year in the fourth quarter. As at June 30, 2022, the Company had cash and cash equivalents of $558.1 million (December 31, 2021 - $562.7 million).

Cash flows from operations could be negatively impacted by decreased demand for the Company's products, which may result from factors such as adverse economic conditions and changes in public and consumer preferences, the loss of confidence by the Company's principal customers in the Company and its product lines, or by increased costs associated with manufacturing and distribution of products. The Company's primary capital needs are related to inventory financing, accounts payable funding, and capital expenditures for tooling, film production, Digital Games development and to fund strategic acquisitions and investments. The Company expects that cash, future operating cash flows and the amounts available to be drawn against the credit facilities will enable the Company to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital and financial obligations.

The declaration and payment of dividends on the Company's subordinate voting shares and multiple voting shares and the amount thereof are at the discretion of the Company's Board of Directors, which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. The Company intends to have a sustainable quarterly dividend per share that will be reviewed and approved on a quarterly basis.

On September 28, 2021, the Company entered into an agreement to amend and restate its existing $510.0 million secured five-year revolving credit facility (the "Facility"). Under the terms of the amended and restated agreement, the Facility is now unsecured, matures on September 28, 2026 and contains certain financial covenants. The Facility also has an option which permits the Company to increase the total capital available by an additional $200.0 million. Total financing costs of $1.7 million, which include Facility amendment fees and related legal fees, are recognized in Other assets and are being amortized over the term of the amended and restated agreement.

As at June 30, 2022, there were $0.4 million (December 31, 2021 - $0.4 million) in letters of credit utilized under the Facility and $nil drawn (December 31, 2021 - $nil) under this Facility.

As at June 30, 2022, the Company had unutilized liquidity of $1,067.7 million, comprised of $558.1 million in cash and cash equivalents and $509.6 million under the Company's credit facilities. The Company believes it has sufficient liquidity to meet its operational requirements.

Short Form Base Shelf Prospectus

The Company filed a short form base shelf prospectus dated November 2, 2021, pursuant to which, for a period of 25 months thereafter, the Company (and shareholders of the Company) may sell up to an aggregate of C$1.0 billion of Subordinate Voting Shares, preferred shares, debt securities, subscription receipts, warrants or any combination thereof as a unit. This filing provides the Company with the flexibility to access debt and equity markets on a timely basis. The Company's previous base shelf prospectus in the amount of C$750.0 million, expired during the third quarter of 2021.

Capital and Investment Framework

Over the long term, the Company plans to use its free cash flows to fund seasonal working capital requirements related to product sales, television shows, feature films, short-form content, Digital Games development in addition to strategic acquisitions and minority investments.

Spin Master primarily uses third parties to manufacture, warehouse and distribute its products. As a result, the Company does not have to incur material investments in property, plant and equipment. The Company's capital expenses are generally comprised of the purchase of tooling used in the manufacturing process and entertainment property production.

CASH FLOW

The following table provide a summary of Spin Master's consolidated cash flows for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change
Net cash flows provided by operating activities	111.6	94.2	17.4
Net cash flows used in investing activities	(30.4)	(46.9)	16.5
Net cash flows used in financing activities	(3.8)	(4.4)	0.6
Net increase in cash and cash equivalents (excluding the effect of foreign currency exchange rate changes)	**77.4**	**42.9**	**34.5**
Effect of foreign currency exchange rate changes on cash and cash equivalents	(12.4)	5.5	(17.9)
Cash and cash equivalents, beginning of period	493.1	262.3	230.8
Cash and cash equivalents, end of period	**558.1**	**310.7**	**247.4**

The following table provides a summary of Spin Master's consolidated cash flows for the six months ended June 30, 2022 as compared to the same period in 2021:

	Six Months Ended Jun 30		
(US$ millions)	2022	2021	$ Change
Net cash flows provided by operating activities	48.7	103.2	(54.5)
Net cash flows used in investing activities	(38.7)	(110.9)	72.2
Net cash flows used in financing activities	(7.7)	(9.2)	1.5
Net increase (decrease) in cash and cash equivalents (excluding the effect of foreign currency exchange rate changes)	**2.3**	**(16.9)**	**19.2**
Effect of foreign currency exchange rate changes on cash and cash equivalents	(6.9)	7.0	(13.9)
Cash and cash equivalents, beginning of period	562.7	320.6	242.1
Cash and cash equivalents, end of period	**558.1**	**310.7**	**247.4**

Cash from Operating Activities as compared to the same period in 2021:
Cash flows provided by operating activities were $111.6 million for the three months ended June 30, 2022 compared to cash flows provided by operating activities of $94.2 million driven by higher Operating Income offset by the increase in change in net working capital.

Cash flows provided by operating activities were $48.7 million for the six months ended June 30, 2022 compared to cash flows provided by operating activities of $103.2 million driven by the decrease in change in net working capital (a decrease of $124.1 million as compared to an increase of $6.1 million in the comparative period) offset by higher Operating Income.

The following table provides a summary of Spin Master's net changes in non-cash working capital for the six months ended June 30, 2022 as compared to the same period in 2021:

	Six Months Ended Jun 30,	
(US$ millions)	2022	2021
Decrease (increase) in:		
Trade receivables	56.9	61.6
Other receivables	(5.6)	(9.3)
Inventories	(41.6)	(32.3)
Prepaid expenses and other assets	(20.3)	3.3
	(10.6)	**23.3**
(Decrease) increase in:		
Trade payables and accrued liabilities	(105.9)	(2.3)
Deferred revenue	(0.1)	(5.4)
Provisions and contingent liabilities	(7.5)	(9.5)
	(113.5)	**(17.2)**
Net changes in non-cash working capital	**(124.1)**	**6.1**

Net Working Capital

The table below outlines key financial information pertaining to the Company's net working capital:

(US$ millions)	Jun 30, 2022	Dec 31, 2021	$ Change
Trade receivables, net[1]	262.3	327.9	(65.6)
Other receivables[2]	71.7	66.7	5.0
Inventories	184.1	137.4	46.7
Prepaid expenses and other assets	29.2	16.1	13.1
Total current assets	**547.3**	**548.1**	**(0.8)**
Trade payables	209.5	274.7	(65.2)
Accrued liabilities[3]	151.3	201.7	(50.4)
Deferred revenue	10.8	10.9	(0.1)
Provisions and contingent liabilities	19.6	25.1	(5.5)
Total current liabilities	**391.2**	**512.4**	**(121.2)**
Total net working capital	**156.1**	**35.7**	**120.4**

1) Trade receivables are net of allowance for doubtful accounts and provisions for sales allowances. Refer to Note 9 of the interim financial statements.

2) Other receivables include investment tax credits receivable, royalties, sales tax and other balances. Refer to Note 9 of the interim financial statements.

3) Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax and other balances. Refer to Note 15 of the interim financial statements.

Total net working capital increased by $120.4 million to $156.1 million at June 30, 2022 from $35.7 million. Excluding the impact of foreign exchange, total net working capital increased by $124.1 million.

Trade receivables, net, decreased by $65.6 million to $262.3 million at June 30, 2022 from $327.9 million, driven by the timing of collections in line with the seasonality of the business.

Inventories increased by $46.7 million to $184.1 million at June 30, 2022 from $137.4 million, driven by higher product and ocean freight costs due to inflation.

Trade payables and accrued liabilities decreased by $115.6 million to $360.8 million at June 30, 2022 from $476.4 million, driven by the timing of payments in line with the seasonality of the business.

Investing Activities as compared to the same period in 2021:

The following table provide a summary of Spin Master’s consolidated cash flows used in investing activities for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change
Property, plant and equipment			
Tooling	8.0	8.2	(0.2)
Other	1.3	0.8	0.5
Total property, plant and equipment	**9.3**	**9.0**	**0.3**
Intangible assets			
Entertainment content and Digital Games app development	17.2	15.9	1.3
Computer software	1.0	0.3	0.7
Total intangible assets	**18.2**	**16.2**	**2.0**
Total capital expenditures	**27.5**	**25.2**	**2.3**
Business acquisitions, net of cash acquired	—	21.7	(21.7)
Minority interest and other investments, net of investment distribution income	2.9	—	2.9
Cash used in investing activities	**30.4**	**46.9**	**(16.5)**

Cash used in investing activities was $30.4 million for the three months ended June 30, 2022 compared to $46.9 million as a result of higher investments related to the acquisitions of *Originator* and certain assets of product invention and development company in the prior year.

The following table provides a summary of Spin Master's consolidated cash flows used in investing activities for the six months ended June 30, 2022 as compared to the same period in 2021:

	Six Months Ended Jun 30		
(US$ millions)	**2022**	**2021**	**$ Change**
Property, plant and equipment			
Tooling	14.2	12.8	1.4
Other	1.8	1.7	0.1
Total property, plant and equipment	**16.0**	**14.5**	**1.5**
Intangible assets			
Entertainment content and Digital Games app development	25.8	25.6	0.2
Computer software	1.7	0.6	1.1
Brands, licenses and trademark acquisitions	0.5	—	0.5
Total intangible assets	**28.0**	**26.2**	**1.8**
Total capital expenditures	**44.0**	**40.7**	**3.3**
Business acquisitions, net of cash acquired	—	70.2	(70.2)
Minority interest and other investments, net of investment distribution income	3.9	—	3.9
Proceeds from sale of manufacturing operations	(9.2)	—	(9.2)
Cash used in investing activities	**38.7**	**110.9**	**(72.2)**

For the six months ended June 30, 2022, cash used in investing activities was $38.7 million compared to $110.9 million as a result of higher investments related to the acquisitions of *Rubik's*, *Originator* and certain assets from a product invention and development company in the prior year.

Financing Activities as compared to the same period in 2021:

Cash flows used in financing activities were $3.8 million for the three months ended June 30, 2022 compared to $4.4 million driven by lower payment of lease liabilities.

For the six months ended June 30, 2022, cash flows used in financing activities were $7.7 million compared to cash flows used in financing activities of $9.2 million driven by lower payment of lease liabilities.

Free Cash Flow[1] as compared to the same period in 2021:

The following table provides a reconciliation of Spin Master's consolidated Free Cash Flow[1] to cash from operating activities and cash used in investing activities for the three months ended June 30, 2022 and 2021:

(US$ millions)	Q2 2022	Q2 2021	$ Change
Cash flows provided by operating activities	111.6	94.2	17.4
Cash flows used in investing activities	(30.4)	(46.9)	16.5
Add:			
Business acquisitions, net of cash acquired	—	21.7	(21.7)
Investment distribution income	(0.1)	—	(0.1)
Minority interest and other investments	3.0	—	3.0
Free Cash Flow[1]	**84.1**	**69.0**	**15.1**

1) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Free Cash Flow[1] was $84.1 million for the three months ended June 30, 2022 compared to $69.0 million, increased by $15.1 million. Free Cash Flow[1] increased primarily due to higher Net Income.

The following table provide a reconciliation of Spin Master's consolidated Free Cash Flow[1] to cash from operating activities and cash used in investing activities for the six months ended June 30, 2022 as compared to the same period in 2021:

	Six Months Ended Jun 30		
(US$ millions)	**2022**	**2021**	**$ Change**
Cash flows provided by operating activities	48.7	103.2	(54.5)
Cash flows used in investing activities	(38.7)	(110.9)	72.2
Add:			
Business acquisitions, net of cash acquired	—	70.2	(70.2)
Investment distribution income	(0.1)	—	(0.1)
Minority interest and other investments	4.0	—	4.0
Proceeds from sale of manufacturing operations	(9.2)	—	(9.2)
Free Cash Flow[1]	**4.7**	**62.5**	**(57.8)**

1) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

For the six months ended June 30, 2022, Free Cash Flow[1] was $4.7 million compared to $62.5 million, a decrease of $57.8 million. Free Cash Flow[1] decreased primarily due to lower cash flows provided by operating activities.

OUTLOOK

The Company continues to expect 2022 Toy Gross Product Sales, in constant currency[1], to increase low double digits compared to 2021, consistent with prior guidance on May 4, 2022.

The Company continues to expect 2022 Revenue, in constant currency[1], to increase low double digits compared to 2021 Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue[1] of $26.0 million, consistent with prior guidance on May 4, 2022.

The Company continues to expect 2022 Adjusted EBITDA Margin[1] to be in line with 2021 Adjusted EBITDA Margin, excluding *PAW Patrol: The Movie* Distribution Revenue[1] of $26.0 million, consistent with prior guidance on May 4, 2022.

CONTRACTUAL OBLIGATIONS & COMMITMENTS

In the normal course of business, Spin Master enters into contractual arrangements to obtain and protect Spin Master’s right to create and market certain products and to ensure availability and timely delivery of future purchases of goods and services. These arrangements include commitments for future services, purchases, commitments to settle foreign currency forward contracts and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guarantees or minimum expenditures during the terms of the contracts. Additionally, Spin Master routinely enters into non-cancellable lease agreements for premises and equipment, which contain minimum rental payments.

OFF-BALANCE SHEET ARRANGEMENTS

Spin Master has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CAPITALIZATION

Share Capital

As at July 27, 2022, there were 102.9 million shares outstanding comprised of 70.6 million Multiple Voting Shares and 32.3 million Subordinate Voting Shares.

As of July 27, 2022, pursuant to grants under the Company's Long-Term Incentive Plan, 1.0 million Subordinate Voting Shares were issuable under outstanding Restricted Stock Units, up to 2.0 million Subordinate Voting Shares were issuable under outstanding Performance Share Units (assuming vesting at a maximum of 200% for units with an outstanding performance period) and 0.5 million Subordinate Voting Shares were issuable under outstanding Share Option grants.

On July 27, 2022, the Company's Board of Directors declared a quarterly dividend of C$0.06 per outstanding subordinate voting share and multiple voting share of Spin Master in respect of the third quarter of 2022. The dividend will be paid on October 14, 2022 to shareholders of record at the close of business on September 30, 2022.

RELATED PARTY TRANSACTIONS

The Company periodically engages the services of a law firm whose managing partner is also a member of the Company’s Board of Directors. For the three and six months ended June 30, 2022, related party transactions were included in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income of the Company in the amount of $0.3 million (2021 - $0.2 million) and $0.5 million (2021 - $0.6 million). As at June 30, 2022, amounts payable to the director's law firm were $0.2 million (December 31, 2021 - $0.2 million).

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies under IFRS are included in the Company's annual financial statements, as well as in the Company's Annual MD&A. These accounting policies under IFRS and estimates are critical to the understanding of the business and to the results of operations. For the six months ended June 30, 2022, there were no material changes to the critical accounting estimates of the Company from those reported in the Annual MD&A and annual financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company’s Internal Control over Financial Reporting (“ICFR”) during the three months ended June 30, 2022 which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

The Chief Executive Officer and the Chief Financial Officer believe that any Disclosure Controls and Procedures or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

NON-GAAP FINANCIAL MEASURES AND RATIOS

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to the following terms, each of which is a non-GAAP financial measure:

- Adjusted EBITDA
- Adjusted Operating Income (Loss)
- Adjusted Net Income (Loss)
- Free Cash Flow
- Toy Gross Product Sales
- Constant Currency Toy Gross Product Sales
- Constant Currency Digital Games Revenue
- Constant Currency Revenue
- Adjusted Selling, General and Administration Expenses ("Adjusted SG&A")
- Net Working Capital
- Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue
- Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Additionally, references are made in this MD&A to the following terms, each of which is a non-GAAP financial ratio:

- Adjusted EBITDA Margin
- Adjusted Operating Margin
- Adjusted Basic EPS
- Adjusted Diluted EPS
- Sales Allowance as a percentage of Toy Gross Product Sales
- Adjusted SG&A as a percentage of Revenue
- Percentage change in Constant Currency Toy Gross Product Sales
- Percentage change in Constant Currency Digital Games Revenue
- Percentage change in Constant Currency Revenue
- Adjusted EBITDA Margin, excluding *PAW Patrol: The Movie* Distribution Revenue

Non-GAAP financial ratios are ratios or percentages that are calculated using a Non-GAAP financial measure. Non-GAAP financial ratios do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Management believes the Non-GAAP financial measures and Non-GAAP financial ratios defined above are important supplemental measures of operating performance and highlight trends in the business. Management believes that these measures allow for assessment of the Company’s operating performance and financial condition on a basis that is consistent and comparable between reporting periods. The Company believes that investors, lenders, securities analysts and other interested parties frequently use these Non-GAAP financial measures and Non-GAAP financial ratios in the evaluation of issuers.

Non-GAAP Financial Measures

Adjusted EBITDA is calculated as Net Income (Loss) before finance costs, income tax expense (recovery) and depreciation and amortization (EBITDA) excluding adjustments that do not necessarily reflect the Company’s underlying financial performance. These adjustments include restructuring and other related costs, foreign exchange gains or losses, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, impairment of goodwill, investment distribution income, loss on Minority interest and other investments, acquisition related deferred incentive compensation, net unrealized gain on investment, impairment of property, plant and equipment, legal settlement, transaction costs, gain on disposal of asset and bad debt recovery. Adjusted EBITDA is used by management as a measure of the Company’s profitability. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

Adjusted Operating Income (Loss) is calculated as Operating Income (Loss) excluding adjustments (as defined in Adjusted EBITDA). Adjusted Operating Income (Loss) is used by management as a measure of the Company’s profitability. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

Adjusted Net Income (Loss) is calculated as Net Income excluding adjustments (as defined in Adjusted EBITDA), the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income (Loss) to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

Free Cash Flow is calculated as cash flows provided by/used in operating activities reduced by cash flows used in investing activities and adding back cash used for business acquisitions and investment in limited partnership and Minority interest and other investments, net of investment distribution income. Management uses the Free Cash Flow metric to analyze the cash flows being generated by the Company’s business. In the third quarter of 2021, the calculation of this metric was revised to include the impact of investment distribution income as Management believes this composition to be relevant to investors, lenders, securities analysts and other interested parties of the Company. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Cash flow from operating activities, the closest IFRS measure.

Toy Gross Product Sales represent Toy revenues, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses Toy Gross Product Sales to provide meaningful comparisons across product category and geographical results to highlight trends in Spin Master’s business. For a reconciliation of Toy Gross Product Sales to Revenue, the closest IFRS measure, refer to the "Revenue" section within the "Financial Performance" section for the three months and year ended June 30, 2022, and the "Reconciliation of Non-GAAP Financial Measures" section for the previous eight fiscal quarters.

Constant Currency Toy Gross Product Sales, Constant Currency Digital Games Revenue and Constant Currency Revenue represent Toy Gross Product Sales, Digital Games revenue and Revenue presented excluding the impact from changes in foreign currency exchange rates, respectively. The current period and prior period results for entities reporting in currencies other than the US dollar are translated using consistent exchange rates, rather than using the actual exchange rate in effect during the respective periods. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from fluctuations in foreign currency exchange rates. Management uses Constant Currency Toy Gross Product Sales, Constant Currency Digital Games Revenue and Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of these metrics to Revenue, the closest IFRS measure.

Adjusted SG&A is calculated as selling, general and administrative expenses adjusted for restructuring and other related costs, share based compensation expenses, impairment of property, plant and equipment, transaction costs and bad debt recovery. Refer to the Adjusted SG&A table for the three and six months ended June 30, 2022 as compared to the same period in 2021 in this MD&A. Management uses Adjusted SG&A to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Selling, General & Administrative Expenses" section within the "Financial Performance" section for a reconciliation of these metrics to selling, general & administrative Expenses, the closest IFRS measure.

Net Working Capital is calculated as the difference between total current assets and total current liabilities. Refer to the Total Net Working Capital table for the six months ended June 30, 2022 as compared to the same period in 2021 in this MD&A. Management uses Net Working Capital to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Cash Flow" section for a composition of this metric to total current assets and total current liabilities, the closest IFRS measures.

Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as revenue excluding distribution revenue of $26.0 million related to *PAW Patrol: The Movie* recognized in 2021. Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is used to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Revenue, the closest IFRS measure.

Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding distribution revenue of $26.0 million related to *PAW Patrol: The Movie* recognized in 2021. Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue is used by management as a measure of the Company’s profitability on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Net Income, the closest IFRS measure.

Non-GAAP Financial Ratios

Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Revenue. Management uses Adjusted EBITDA Margin to evaluate the Company’s performance compared to internal targets and to benchmark its performance against key competitors.

Adjusted Operating Margin is calculated as Adjusted Operating Income (Loss) divided by Revenue. Management uses Adjusted Operating Margin to evaluate the Company’s performance compared to internal targets and to benchmark its performance against key competitors.

Adjusted Basic EPS is calculated by dividing Adjusted Net Income by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period. Management uses Adjusted Basic EPS and Adjusted Diluted EPS to measure the underlying financial performance of the business on a consistent basis over time.

Sales Allowance as a percentage of Toy Gross Product Sales is calculated by dividing Sales Allowance by Toy Gross Product Sales. Management uses Sales Allowance as percentage of Toy Gross Product Sales to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Adjusted SG&A as a percentage of Revenue is calculated by dividing Adjusted SG&A by Revenue. Management uses Adjusted SG&A as a percentage of Revenue to measure the underlying financial performance of the business on a consistent basis over time.

Percentage change in Constant Currency Toy Gross Product Sales is calculated by dividing the change in Toy Gross Product Sales excluding the impact from changes in foreign currency exchange rates by the Toy Gross Product Sales of the comparative period. Management uses Percentage change in Constant Currency Toy Gross Product Sales to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Digital Games Revenue is calculated by dividing the change in Digital Games revenue excluding the impact from changes in foreign currency exchange rates by the Digital Games revenue of the comparative period. Management uses Percentage change in Constant Currency Digital Games Revenue to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Revenue is calculated by dividing the change in Revenue excluding the impact from changes in foreign currency exchange rates by the Revenue of the comparative period. Management uses Percentage change in Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Adjusted EBITDA Margin, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding *PAW Patrol: The Movie* Distribution Revenue divided by Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue. Management uses Adjusted EBITDA Margin excluding *PAW Patrol: The Movie* Distribution Revenue to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors on a consistent basis over time.

Reconciliation of Non-GAAP Financial Measures

The following table provides reconciliations of Operating Income (Loss) to Adjusted Operating Income , Adjusted EBITDA, Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue and Adjusted Net Income for the previous eight fiscal quarters.

(in US$ millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Operating Income (Loss)	**118.2**	**61.7**	**39.1**	**179.5**	**46.9**	**6.7**	**(1.0)**	**104.1**
Restructuring and other related costs[1]	4.5	0.6	1.4	0.4	—	0.7	0.5	1.4
Foreign exchange (gain) loss[2]	(32.3)	9.6	(0.7)	(10.8)	4.9	3.7	10.5	5.1
Share based compensation[3]	4.5	4.1	4.0	4.1	4.0	3.2	2.9	2.9
Impairment of goodwill[4]	—	—	1.9	—	—	—	—	—
Impairment of property, plant and equipment[5]	—	—	—	—	—	—	0.5	—
Impairment of intangible assets[6]	—	—	1.2	—	0.5	0.9	0.4	—
Legal settlement[7]	(0.6)	(1.5)	—	—	—	—	5.5	—
Acquisition related deferred incentive compensation[8]	2.6	2.7	2.6	2.7	1.5	—	—	—
Net unrealized (gain) loss on investment[9]	(0.1)	—	0.3	—	(0.3)	(0.9)	—	—
Investment distribution income[10]	(0.1)	—	—	(0.2)	(0.4)	—	—	—
Loss on Minority interest and other investments[11]	0.5	—	—	—	—	—	—	—
Acquisition related contingent consideration[12]	—	—	3.4	—	—	(0.7)	3.7	—
Transaction costs[13]	0.4	0.1	2.1	0.1	0.6	—	0.9	—
Gain on disposal of asset[14]	—	—	—	(0.2)	—	—	—	—
Adjusted Operating Income	**97.6**	**77.3**	**55.3**	**175.6**	**57.7**	**13.6**	**23.9**	**113.5**
Depreciation and amortization	16.1	18.4	23.0	41.7	24.1	23.1	27.6	26.4
Adjusted EBITDA	**113.7**	**95.7**	**78.3**	**217.3**	**81.8**	**36.7**	**51.5**	**139.9**
Distribution revenue related to *PAW Patrol: The Movie*[15]	—	—	—	(26.0)	—	—	—	—
Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue	**113.7**	**95.7**	**78.3**	**191.3**	**81.8**	**36.7**	**51.5**	**139.9**
Distribution revenue related to *PAW Patrol: The Movie*[14]	—	—		26.0	—	—	—	—
Income tax (expense) recovery	(27.8)	(14.2)	(9.5)	(41.8)	(11.1)	(1.0)	4.7	(14.7)
Finance costs	(2.3)	(1.9)	(3.1)	(2.3)	(2.3)	(2.5)	(3.4)	(2.6)
Depreciation and amortization	(16.1)	(18.4)	(23.0)	(41.7)	(24.1)	(23.1)	(27.6)	(26.4)
Tax effect of normalization adjustments[16]	4.9	(3.7)	(4.0)	1.1	(2.7)	(1.7)	(10.6)	(1.1)
Adjusted Net Income	**72.4**	**57.5**	**38.7**	**132.6**	**41.6**	**8.4**	**14.6**	**95.1**

[1] Restructuring and other related costs primarily relates to changes in personnel. Restructuring and other related costs in the prior year includes costs related to changes in senior leadership.
[2] Includes foreign exchange (gains) losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and (gains) losses related to the Company's hedging programs.
[3] Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's initial public offering, share option expense and long-term incentive plan.
[4] Impairment of goodwill associated with assets held for sale and one other CGU.
[5] Impairment of property plant and equipment related to machinery.
[6] Impairment of intangible assets related to entertainment content and Digital Games app development.
[7] Legal settlement in the first quarter of 2022 and fourth quarter of 2020.
[8] Deferred incentive compensation associated with acquisitions.
[9] Net unrealized gain related to investment in limited partnership.
[10] Distribution income related to investment in limited partnership.
[11] Fair value loss on the Minority interest and other investments classified as FVTPL.
[12] Remuneration expense associated with contingent consideration for acquisitions.
[13] Professional fees incurred relating to acquisitions and other transactions.
[14] Gain on disposal of intangible asset.
[15] Distribution revenue related to PAW Patrol: The Movie recognized in Q3 2021 within Entertainment revenue.
[16] Tax effect of adjustments (Footnotes 1-14). Adjustments are tax effected at the effective tax rate of the given period.

The following table provides reconciliations from Cash provided by operating activities and Cash used in investing activities to Free Cash Flow for the previous eight fiscal quarters:

(in US$ millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Cash provided by (used in) operating activities	111.6	(62.9)	230.1	85.8	94.2	9.0	138.2	117.2
Cash used in investing activities	(30.4)	(8.3)	(19.6)	(22.7)	(46.9)	(64.0)	(19.3)	(20.2)
Add (Deduct):								
Business acquisitions, net of cash acquired[1]	—	—	0.7	—	21.7	48.5	—	(1.0)
Investment in limited partnership[2]	—	—	0.1	0.9	—	—	1.8	—
Advance paid for business acquisitions[3]	—	—	—	—	—	—	3.0	—
Investment distribution income[4]	(0.1)	—	—	(0.6)	—	—	—	—
Minority interest and other investments[5]	3.0	1.0	—	2.4	—	—	—	—
Proceeds from sale of manufacturing operations[6]	—	(9.2)	—	—	—	—	—	—
Free Cash Flow	**84.1**	**(79.4)**	**211.3**	**65.8**	**69.0**	**(6.5)**	**123.7**	**96.0**

[1] Cash paid relating to acquisitions of *Rubik's*, *Originator Inc.* and a product invention and development company in 2021

[2] Cash paid to fund capital calls relating to the Investment in a limited partnership in 2020 and 2021.

[3] Cash advance paid in 2020 relating to the acquisition of *Rubik's*.

[4] Distribution income earned relating to the investment in a limited partnership.

[5] Cash paid in relation to the Minority interest and other investments during 2021 and 2022.

[6] Cash received for the sale of manufacturing assets located in Tarboro, North Carolina in Q1 2022.

The following table presents a reconciliation of Operating Income to Adjusted Operating Income, Adjusted EBITDA, and Adjusted Net Income, and cash from operating activities to Free Cash Flow for the six months ended June 30, 2022 and 2021:

	Six Months Ended Jun 30			
(in US$ millions)	**2022**	**2021**	**$ Change**	**% Change**
Operating Income	179.9	53.6	126.3	235.6 %
Restructuring and other related costs[1]	5.1	0.7	4.4	628.6 %
Foreign exchange (gain) loss[2]	(22.7)	8.6	(31.3)	(364.0)%
Share based compensation[3]	8.6	7.2	1.4	19.4 %
Impairment of intangible assets[4]	—	1.4	(1.4)	n.m.
Legal settlement[5]	(2.1)	—	(2.1)	n.m.
Acquisition related deferred incentive compensation[6]	5.3	1.5	3.8	253.3 %
Net unrealized gain on investment[7]	(0.1)	(1.2)	1.1	(91.7)%
Investment distribution income[8]	(0.1)	(0.4)	0.3	(75.0)
Loss on Minority interest and other investments[9]	0.5	—	0.5	n.m.
Acquisition related contingent consideration[10]	—	(0.7)	0.7	(100.0)%
Transaction costs[11]	0.5	0.6	(0.1)	(16.7)%
Adjusted Operating Income	**174.9**	**71.3**	**103.6**	**145.3 %**
Depreciation and amortization	34.5	47.2	(12.7)	(26.9)%
Adjusted EBITDA	**209.4**	**118.5**	**90.9**	**76.7 %**
Income tax expense	(42.0)	(12.1)	(29.9)	247.1 %
Finance costs	(4.2)	(4.8)	0.6	(12.5)%
Depreciation and amortization	(34.5)	(47.2)	12.7	(26.9)%
Tax effect of adjustments[12]	1.2	(4.4)	5.6	(127.3)%
Adjusted Net Income	**129.9**	**50.0**	**79.9**	**159.8 %**
Cash provided by operating activities	48.7	103.2	(54.5)	(52.8)%
Cash used in investing activities	(38.7)	(110.9)	72.2	(65.1)%
Add:				
Cash used for (provided by) Business acquisitions, net of cash acquired, Minority interest and other investments, net of proceeds from sale of manufacturing operations and investment distribution income	(5.3)	70.2	(75.5)	(107.5)
Free Cash Flow	**4.7**	**62.5**	**(57.8)**	**(92.5)%**

[1] Restructuring and other related costs primarily relates to changes in personnel. Restructuring and other related costs in the prior year includes costs related to changes in senior leadership.
[2] Includes foreign exchange (gains) losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and (gains) losses related to the Company's hedging programs.
[3] Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's initial public offering, share option expense and long-term incentive plan.
[4] Impairment of intangible assets related to entertainment content and Digital Games app development.
[5] Legal settlement in the fourth quarter of 2020.
[6] Deferred incentive compensation associated with acquisitions.
[7] Net unrealized gain related to investment in limited partnership.
[8] Distribution income related to investment in limited partnership.
[9] Fair value loss on the Minority interest and other investments classified as FVTPL.
[10] Remuneration expense associated with contingent consideration for acquisitions.
[11] Professional fees incurred relating to acquisitions and other transactions.
[12] Tax effect of adjustments (Footnotes 1-11). Adjustments are tax effected at the effective tax rate of the given period.

The following table provides reconciliations of Toy Gross Product Sales to revenue for the previous eight fiscal quarters:

(in US$ millions)	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**
Toy Gross Product Sales	484.4	397.5	627.5	681.2	359.0	294.7	511.8	587.4
Sales Allowances	(46.8)	(46.6)	(85.5)	(73.4)	(32.6)	(39.1)	(77.5)	(64.1)
Toy revenue	437.6	350.9	542.0	607.8	326.4	255.6	434.3	523.3
Entertainment revenue	28.4	22.2	28.5	52.9	27.5	26.9	24.5	20.5
Digital Games revenue	40.3	51.1	50.0	53.8	36.9	34.1	31.8	27.8
Revenue	**506.3**	**424.2**	**620.5**	**714.5**	**390.8**	**316.6**	**490.6**	**571.6**

The following table presents a reconciliation of Revenue to Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue for the previous eight fiscal quarters:

(in US$ millions)	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**
Revenue	506.3	424.2	620.5	714.5	390.8	316.6	490.6	571.6
Distribution revenue related to *PAW Patrol: The Movie*[1]	—	—	—	(26.0)	—	—	—	—
Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue	**506.3**	**424.2**	**620.5**	**688.5**	**390.8**	**316.6**	**490.6**	**571.6**

[1] Distribution revenue related to *PAW Patrol: The Movie* recognized in Q3 2021 within Entertainment revenue.

The following tables present reconciliations of Revenue to Constant Currency Toy Gross Product Sales, Revenue to Constant Currency Digital Games revenue and Revenue to Constant Currency Revenue for the three and six months ended June 30, 2022 and 2021:

			Six Months Ended Jun 30	
(US$ millions)	**Q2 2022**	**Q2 2021**	**2022**	**2021**
Constant Currency Toy Gross Product Sales	490.2	352.5	892.8	643.1
Impact of foreign exchange	(5.8)	6.5	(10.9)	10.6
Toy Gross Product Sales	**484.4**	**359.0**	**881.9**	**653.7**
Sales Allowances	(46.8)	(32.6)	(93.4)	(71.7)
Toy revenue	**437.6**	**326.4**	**788.5**	**582.0**
Entertainment revenue	28.4	27.5	50.6	54.4
Digital Games revenue	40.3	36.9	91.4	71.0
Revenue	**506.3**	**390.8**	**930.5**	**707.4**

			Six Months Ended Jun 30	
(US$ millions)	**Q2 2022**	**Q2 2021**	**2022**	**2021**
Constant Currency Digital Games Revenue	43.0	35.5	95.7	68.7
Impact of foreign exchange	(2.7)	1.4	(4.3)	2.3
Digital Games revenue	**40.3**	**36.9**	**91.4**	**71.0**

			Six Months Ended Jun 30	
(US$ millions)	**Q2 2022**	**Q2 2021**	**2022**	**2021**
Constant Currency Revenue	514.7	382.2	944.3	693.0
Impact of foreign exchange	(8.4)	8.6	(13.8)	14.4
Revenue	**506.3**	**390.8**	**930.5**	**707.4**

The following tables present the composition of Percentage change in Constant Currency Toy Gross Product Sales, Percentage change in Constant Currency Digital Games Revenue and Percentage change in Constant Currency Revenue for the three and six months ended June 30, 2022 and 2021:

			$ Change			% Change	
(US$ millions)	**Q2 2022**	**Q2 2021**	**As reported**	**Impact of foreign exchange**	**In Constant Currency**	**As reported**	**In Constant Currency**
Toy Gross Product Sales	484.4	359.0	$ 125.4	$ 5.8	$ 131.2	34.9%	36.5 %
Digital Games revenue	40.3	36.9	$ 3.4	$ 2.7	$ 6.1	9.2%	16.5 %
Revenue	506.3	390.8	$ 115.5	$ 8.4	$ 123.9	29.6%	31.7 %

	Six Months Ended Jun 30		$ Change			% Change	
(US$ millions)	**2022**	**2021**	**As reported**	**Impact of foreign exchange**	**In Constant Currency**	**As reported**	**In Constant Currency**
Toy Gross Product Sales	881.9	653.7	$ 228.2	$ 10.9	$ 239.1	34.9%	36.6 %
Digital Games revenue	91.4	71.0	$ 20.4	$ 4.3	$ 24.7	28.7%	34.8 %
Revenue	930.5	707.4	$ 223.1	$ 13.8	$ 236.9	31.5%	33.5 %

ADDENDUM

Effective January 1, 2022, the Company revised its reportable operating segments to align with its current business structure and how the Company's new CODM reviews operations and makes decisions. The following table presents 2021 segments in the same format that the Company presents its operating segments in 2022.

(US$ millions)	Year Ended December 31, 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**1,731.8**	**135.8**	**174.8**	**—**	**2,042.4**
Operating Income	**159.0**	**53.4**	**67.5**	**(7.7)**	**272.2**
Restructuring and other related costs	2.3	—	0.2	—	2.5
Foreign exchange gain	—	—	—	(2.9)	(2.9)
Share based compensation	13.4	0.4	1.5	—	15.3
Impairment of goodwill	1.9	—	—	—	1.9
Impairment of intangible assets	—	2.1	0.5	—	2.6
Acquisition related deferred incentive compensation	4.3	—	2.5	—	6.8
Net unrealized gain on investment	—	—	—	(0.9)	(0.9)
Investment distribution income	—	—	—	(0.6)	(0.6)
Acquisition related contingent consideration	2.7	—	—	—	2.7
Transaction costs	—	—	—	2.8	2.8
Gain on disposal of asset	(0.2)	—	—	—	(0.2)
Adjusted Operating Income	**183.4**	**55.9**	**72.2**	**(9.3)**	**302.2**
Depreciation and amortization	56.3	48.2	7.4	—	111.9
Adjusted EBITDA	**239.7**	**104.1**	**79.6**	**(9.3)**	**414.1**

(US$ millions)	Q1 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**255.6**	**26.9**	**34.1**	**—**	**316.6**
Operating Income (Loss)	**(12.1)**	**10.6**	**13.2**	**(5.0)**	**6.7**
Restructuring and other related costs	0.7	—	—	—	0.7
Foreign exchange loss	—	—	—	3.7	3.7
Share based compensation	2.8	0.1	0.3	—	3.2
Impairment of intangible assets	—	0.9	—	—	0.9
Net unrealized gain on investment	—	—	—	(0.9)	(0.9)
Acquisition related contingent consideration	(0.7)	—	—	—	(0.7)
Adjusted Operating Income (Loss)	**(9.3)**	**11.6**	**13.5**	**(2.2)**	**13.6**
Depreciation and amortization	14.4	6.6	2.1	—	23.1
Adjusted EBITDA	**5.1**	**18.2**	**15.6**	**(2.2)**	**36.7**

(US$ millions)	Q2 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**326.4**	**27.5**	**36.9**	**—**	**390.8**
Operating Income	**28.5**	**12.5**	**12.8**	**(6.9)**	**46.9**
Foreign exchange loss	—	—	—	4.9	4.9
Share based compensation	3.7	0.1	0.2	—	4.0
Impairment of intangible assets	—	—	0.5	—	0.5
Acquisition related deferred incentive compensation	1.3	—	0.2	—	1.5
Net unrealized gain on investment	—	—	—	(0.3)	(0.3)
Investment distribution income	—	—	—	(0.4)	(0.4)
Transaction costs	—	—	—	0.6	0.6
Adjusted Operating Income	**33.5**	**12.6**	**13.7**	**(2.1)**	**57.7**
Depreciation and amortization	13.8	8.4	1.9	—	24.1
Adjusted EBITDA	**47.3**	**21.0**	**15.6**	**(2.1)**	**81.8**

(US$ millions)	Q3 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**607.8**	**52.9**	**53.8**	**—**	**714.5**
Operating Income	**128.0**	**18.2**	**24.2**	**9.1**	**179.5**
Restructuring and other related costs	0.4	—	—	—	0.4
Foreign exchange gain	—	—	—	(10.8)	(10.8)
Share based compensation	3.4	0.1	0.6	—	4.1
Acquisition related deferred incentive compensation	1.5	—	1.2	—	2.7
Investment distribution income	—	—	—	(0.2)	(0.2)
Transaction costs	—	—	—	0.1	0.1
Gain on disposal of asset	(0.2)	—	—	—	(0.2)
Adjusted Operating Income	**133.1**	**18.3**	**26.0**	**(1.8)**	**175.6**
Depreciation and amortization	13.4	26.9	1.4	—	41.7
Adjusted EBITDA	**146.5**	**45.2**	**27.4**	**(1.8)**	**217.3**

(US$ millions)	Q4 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	**542.0**	**28.5**	**50.0**	**—**	**620.5**
Operating Income	**14.6**	**12.1**	**17.3**	**(4.9)**	**39.1**
Restructuring and other related costs	1.2	—	0.2	—	1.4
Foreign exchange gain	—	—	—	(0.7)	(0.7)
Share based compensation	3.5	0.1	0.4	—	4.0
Impairment of goodwill	1.9	—	—	—	1.9
Impairment of intangible assets	—	1.2	—	—	1.2
Acquisition related deferred incentive compensation	1.5	—	1.1	—	2.6
Net unrealized loss on investment	—	—	—	0.3	0.3
Acquisition related contingent consideration	3.4	—	—	—	3.4
Transaction costs	—	—	—	2.1	2.1
Adjusted Operating Income	**26.1**	**13.4**	**19.0**	**(3.2)**	**55.3**
Depreciation and amortization	14.7	6.3	2.0	—	23.0
Adjusted EBITDA	**40.8**	**19.7**	**21.0**	**(3.2)**	**78.3**

FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, contained in this MD&A constitute “forward-looking information” within the meaning of certain securities laws, including the *Securities Act* (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this MD&A. The words “plans”, “expects”, “projected”, “estimated”, “forecasts”, “anticipates”, “indicative”, “intend”, “guidance”, “outlook”, “potential”, “prospects”, “seek”, “strategy”, “targets” or “believes”, or variations of such words and phrases or statements that certain future conditions, actions, events or results “will”, “may”, “could”, “would”, “should”, “might” or “can”, or negative versions thereof, “be taken”, “occur”, “continue” or “be achieved”, and other similar expressions, identify statements containing forward-looking information. Statements of forward-looking information in this MD&A include, without limitation, statements with respect to: the Company’s outlook for 2022 (see “Outlook”); future growth expectations in 2022 and beyond; the Company's dividend policy; drivers and trends for such growth and financial performance; the successful execution of its strategies for growth; the Company's long-term goal of more than 45% of Toys segment sales outside of North America; the Company's SMV initiative; content and product pipeline; financial position, cash flows and financial performance; and the creation of long term shareholder value.

Forward-looking statements are necessarily based upon management’s perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth above in this MD&A, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: the Company’s dividend payments being subject to the discretion of the Board of Directors and dependent on a variety of factors and conditions existing from time to time; seasonality; ability of factories to manufacture products, including labour size and allocation, tooling, raw material and component availability, ability to shift between product mix, and customer acceptance of delayed delivery dates; the steps taken will create long term shareholder value; the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure broader licenses from third parties for major entertainment properties consistent with past practices; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition and minority investment opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company’s products will expand; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers, retailers and license partners; the Company will continue to attract qualified personnel to support its development requirements; and the Company's key personnel will continue to be involved in the Company products and entertainment properties will be launched as scheduled and that the risk factors noted in this MD&A, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking information in this MD&A. Such risks and uncertainties include, without limitation, the magnitude and length of economic disruption as a result of the COVID-19 pandemic; and the factors discussed in the Company's disclosure materials, including the Annual or subsequent, most recent interim MD&A and the Company's most recent annual information form, filed with the securities regulatory authorities in Canada and available under the Company's profile on SEDAR (www.sedar.com). These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management’s expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.