SPIN MASTER CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the three months ended March 31, 2016

The following Management's Discussion and Analysis ("MD&A") for Spin Master Corp. ("Spin Master" or the "Company") is dated May 11, 2016 and provides information concerning the Company's financial condition and financial performance for the three months ended March 31, 2016 ("first quarter", "the quarter", "Q1"). This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2016 ("interim consolidated financial statements"), its audited Consolidated Financial Statements ("financial statements") and accompanying notes and its Annual MD&A ("Annual MD&A") as at and for the year ended December 31, 2015. Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2015, can be found at www.sedar.com.

Some of the information contained in this MD&A contains forward-looking statements that 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 our 2015 Annual MD&A and elsewhere in our Annual MD&A and this MD&A.

BASIS OF PRESENTATION

The Company's interim consolidated financial statements and its audited consolidated financial statements and accompanying notes have been prepared in accordance with International Accounting Standard 34, Interim Reporting and all amounts are prepared in accordance with International Financial Reporting Standards ("IFRS"). However, certain financial measures contained in this MD&A are non-IFRS measures and are discussed further at "Non-IFRS Financial Measures". All references to "$" and "dollars" refer to U.S. dollars, unless otherwise indicated. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding.

OVERVIEW

Spin Master is a leading global children's entertainment company that creates, designs, manufactures and markets a diversified portfolio of innovative toys, games, products and entertainment properties. The Company is driven by a desire to challenge and expand traditional play patterns through the creation of innovative products and entertainment content.

Spin Master's principal strategies to drive the Company's continued growth, both organically and through acquisitions include:

- Innovation across the portfolio and expanding current business segments;
- Developing evergreen global entertainment properties;
- Increasing international sales in developed and emerging markets; and
- Leveraging its global platform through strategic acquisitions.

Spin Master’s business is separated into 3 geographic segments: North America, comprised of the U.S. and Canada; Europe, comprised of Spin Master’s subsidiaries in the UK, France, Italy, the Netherlands, Germany, Austria and Switzerland; and the Rest of World, comprised of Spin Master’s subsidiary in Mexico and all other areas of the world serviced by Spin Master’s 3rd party distribution network.

Spin Master’s diversified portfolio of children’s products, brands and entertainment properties is reported under four business segments: (1) Activities, Games & Puzzles and Fun Furniture; (2) Remote Control and Interactive Characters; (3) Boys Action and High-Tech Construction; and (4) Pre-School and Girls.

Highlights for the three months ended March 31, 2016:
(In $ thousands, except EPS)

- For the three months ended March 31, 2016, revenue increased by 51.9% from $106,467 for the same period in 2015 to $161,702 in 2016.

- Gross profit as a percentage of revenue for the three months ended March 31, 2016 was 52.8%, a decrease of 0.5% from 53.3% for the same period in 2015.

- Net Income for the three months ended March 31, 2016 was $9,937 or $0.10 per share, compared to $1,669 for the same period in 2015.

- For the three months ended March 31, 2016, Adjusted EBITDA (a non-IFRS measure) was $23,973 or 14.8% of revenue, compared to $10,193 or 9.6% of revenue in 2015.

- On January 27, 2016, the Company announced that it had purchased the library of board games owned by Editrice Giochi SRL, one of the oldest privately-held toy game companies in Italy. The sale includes the historic *Editrice Giochi* brand, which has been in the Italian market for more than 70 years. The strategic acquisition enables Spin Master to expand its award-winning selection of games and licensed products in the Italian market with such well-known games as *Risiko*, Italy's most popular strategic game, and *Scarabeo*, the leading word game in Italy. The acquisition closed on March 11, 2016.

- On February 11, 2016, the Company announced that it had acquired the iconic *Etch A Sketch* and *Doodle Sketch* brands from The Ohio Art Company. The acquisition included all brand-related patents, trademarks, tooling and inventory for the brands.

Subsequent Events:

- On May 2, 2016, the Company acquired the Toca Boca and Sago Mini companies from the Bonnier Group of Sweden. With offices in Stockholm, San Francisco and New York and over 80 employees, Toca Boca is a play studio that makes digital toys for kids aged 3-9. Since its first product launch in 2011, Toca Boca has released 32 apps that have been downloaded in 215 countries worldwide. With over 140 million total downloads to date and growing, Toca Boca apps focus on stimulating kids' imagination so that they can play and have fun in a safe digital environment with no in-app purchases or external advertising. Located in Toronto, Sago Mini creates mobile apps for kids aged 2-5 that focus on the pre-school segment. With a team over 25 employees, Sago Mini has released 16 apps which have been downloaded over 13 million times. Toca Boca and Sago Mini both emphasize children's natural sense of curiosity, experimentation and self- of curiosity, experimentation and self-expression and combined have over 15 million monthly active users globally.

- Subsequent to the end of the quarter, the Company also announced the formation of an Australian subsidiary Spin Master Australia (Pty) Ltd., which will begin activities in 2017 and will assume distribution of the majority of Spin Master's brands for Australia.

FINANCIAL PERFORMANCE

Q1 2016 compared to Q1 2015

Consolidated Results

(In $ thousands, except EPS)

The following table provides a summary of Spin Master's consolidated results for the three months ended March 31, 2016 and 2015. Refer to the Company's interim consolidated financial statements for the three months ended March 31, 2016 for a detailed account the Company's performance for the periods presented in the table below.

	Three Months Ended March 31			
	2016	**2015**	**$ Change**	**% Change**
(All amounts in US$ 000's, except EPS)				
Revenue	**161,702**	106,467	55,235	51.9%
Cost of sales	**(76,326)**	(49,772)	(26,554)	53.4%
Gross profit	**85,376**	56,695	28,681	50.6%
Selling, marketing, distribution and product development	**(33,416)**	(22,583)	(10,833)	48.0%
Administrative	**(40,801)**	(29,838)	(10,963)	36.7%
Other income	**3**	-	3	
Foreign exchange gains/(losses)	**5,040**	(1,627)	6,667	
Finance costs	**(1,760)**	(269)	(1,491)	553.6%
Net income before tax	**14,442**	2,378	12,065	507.5%
Income tax (expense)	**(4,505)**	(709)	(3,796)	535.7%
Net income	**9,937**	1,669	8,268	495.4%
Net Income Attributable to:				
Owners of the Company	**9,937**	1,382	8,555	619.1%
Non-Controlling Interests	**-**	287	(287)	-100.0%
	9,937	1,669	8,268	495.4%
Earnings per share attributable to owners of the Company				
Basic and Diluted	**$0.10**	$0.02	$0.08	400.0%

Revenue

The following table provides a summary of Spin Master's consolidated sales and segmented breakdown for three months ended March 31, 2016:

	Three Months Ended March 31			
(All amounts in US$ 000's)	2016	2015	$ Change	% Change
Activities, Games & Puzzles and Fun Furniture	49,729	28,343	21,386	75.5%
Remote Control and Interactive Characters	21,606	17,541	4,065	23.2%
Boys Action and High-Tech Construction	22,990	26,810	(3,820)	-14.2%
Pre-School and Girls	79,465	43,919	35,546	80.9%
Total Gross Product Sales (1)	**173,790**	**116,613**	**57,177**	**49.0%**
Other Revenue	6,030	3,580	2,450	68.4%
Total Gross Sales (1)	**179,820**	**120,193**	**59,627**	**49.6%**
Sales Allowances (1)	18,118	13,726	4,392	32.0%
Revenue	**161,702**	**106,467**	**55,235**	**51.9%**

(1) Non-IFRS measure

Total Gross Product Sales increased by $57,177 or 49.0%, to $173,790, primarily due to increased Gross Product Sales in the Activities, Games & Puzzles and Fun Furniture segment and Pre-School and Girls segments, which was offset, in part, by the unfavorable impact from changes in currency exchange rates of $2,007. Excluding the acquisition of *Cardinal*, Gross Product Sales for the three months ended March 31, 2016 increased by $39,374 or 33.8%, to $155,988 compared to the same period in 2015.

Gross Product Sales in the Activities, Games & Puzzles and Fun Furniture segment increased by $21,386 or 75.5%, to $49,730, driven by the acquisition of *Cardinal*. Excluding the acquisition of *Cardinal*, Gross Product Sales in the Activities, Games & Puzzles and Fun Furniture segment increased by $3,584 or 12.6%, to $31,927, driven by growth in *Bunchems* and partially offset by a decline in *Kinetic Sand*.

Gross Product Sales in the Remote Control and Interactive Characters segment increased by $4,065 or 23.2%, to $21,606, primarily due to higher sales of *Air Hogs* products.

Gross Product Sales in the Boys Action and High-Tech Construction segment decreased by $3,820 or -14.2%, to $22,990, due to lower sales of *How to Train Your Dragon* and *Teenage Mutant Turtles* related toys, partially offset by the initial shipments of toys related to the *Angry Birds* and *Secret Life of Pets* movies.

Gross Product Sales in the Pre-School and Girls segment increased by $35,546, or 80.9%, to $79,465, due to the continued strength of the *Paw Patrol* franchise and growth in *Chubby Puppies* and *Popples*.

Other Revenue increased by $2,450 or 68.4%, to $6,030, primarily driven by increased merchandising royalties' income from products marketed by third parties using Spin Master's owned intellectual property.

Sales Allowances increased by $4,392 or 32.0%, to $18,118, primarily due to increases in Gross Product Sales offset by product and market mix.

The following table provides a summary of Spin Master's consolidated Gross Product Sales by key geographic segment for the three months ended March 31, 2016**:**

	Three Months Ended March 31			
(All amounts in US$ 000's)	**2016**	**2015**	**$ Change**	**% Change**
North America	116,308	73,469	42,839	58.3%
Europe	35,959	29,084	6,875	23.6%
Rest of World	21,523	14,060	7,463	53.1%
Total Gross Product Sales	**173,790**	**116,613**	**57,177**	**49.0%**

Gross Product Sales in North America increased by $42,839, or 58.3%, to $116,308 with an unfavourable impact from changes in currency exchange rates of $377. Excluding the acquisition of *Cardinal*, Gross Product Sales in North America increased by $26,684 or 36.3%, driven by sales of *Paw Patrol, Batmobile, Angry Birds* and *Secret Life of Pets* products.

Gross Product Sales in Europe increased by $6,875 or 23.6%, to $35,959 with an unfavourable impact from changes in currency exchange rates of $991. Growth was primarily driven by sales of *Paw Patrol* products in France, Italy and the UK.

Gross Product Sales in the Rest of World region increased by $7,463 or 53.1%, to $21,523, with an unfavourable impact from changes in currency exchange rates of $638. Growth was primarily driven by increases in *Paw Patrol* product sales and the initial shipments of *Angry Birds* and *Secret Life of Pets* products.

Gross Profit

For the three months ended March 31, 2016, Gross Profit increased by $28,681 or 50.6% compared to the same period in 2015, to $85,376, due to higher revenue and favorable product mix. As a percentage of revenue, gross profit decreased from 53.3% to 52.8% for the period, which was primarily attributable to the impact of sales of *Cardinal* products, partially offset by increased merchandising royalty income from sales of products under owned brands and on-going productivity initiatives.

Selling, Marketing, Distribution and Product Development Expenses

For the three months ended March 31, 2016, marketing expenses increased by $6,045 or 74.7% compared to the same period in 2015, to $14,133, primarily as a result of increased media spending supporting product launches and increased research and strategic marketing spend. Marketing expenses as a percentage of revenue increased from 7.6% to 8.7% for the quarter.

For the three months ended March 31, 2016, product development expenses decreased by $293 or 9.1% compared to the same period in 2015, to $3,524, due to the timing of projects. Product development expenses as a percentage of revenue decreased to 2.2% from 3.0% compared to the same period last year.

For the three months ended March 31, 2016, selling expenses increased by $4,337 or 71.7% compared to the same period in 2015, to $10,386, driven by higher revenues and royalties related to the sales of licensed products. Selling expenses, as a percentage of revenue increased to 6.4% from 5.7% compared to the same period in 2015.

For the three months ended March 31, 2016, distribution expenses increased by $157 or 3.0% compared to the same period in 2015, to $5,373, driven by higher volume and offset by a one-time warehouse move expense in Q1 2015. Distribution expenses as a percentage of revenue decreased to 3.3% from 4.9% in quarter.

Administrative Expenses

For the three months ended March 31, 2016, administrative expenses increased by $10,963 or 36.7% compared to the same period in 2015, to $40,801, primarily due to the ongoing share based compensation expenses associated with equity participation agreements entered into with employees of the Company prior to the IPO that entitled them to certain share based compensation upon the Company's IPO, and the grants of restricted share units to employees upon the closing of the IPO in July 2015. Administrative expenses as a percentage of revenue decreased to 25.2% from 28.0% in the same period in 2015. Excluding the impact of share based compensation, administrative expenses as a as a percentage of revenue decreased to 21.0% from 28.0% in 2015.

Finance Costs

For the three months ended March 31, 2016, finance costs increased by $1,491 or 553.6% compared to the same period in 2015, to $1,760 driven by higher interest as a result of increased borrowings on the Company's term loan and revolving facility and accretion expense related to provisions related to contingent consideration arrangements as part of the *Cardinal* acquisition.

Net Income

For the three months ended March 31, 2016, Net Income increased from $1,669 in the first quarter of 2015 to $9,937 or $0.10 per share in the first quarter of 2016. The increase in Net Income reflects all of the items noted above.

OUTLOOK

For the full year, Spin Master now expects organic Gross Product Sales growth to be above the previous guidance provided in connection with the release of fiscal 2015 results in March 2016, which was at the upper end of the Company's long term growth target range of mid to high single digits. The Company now expects Gross Product Sales to grow in the mid-teens, relative to 2015. From a seasonality perspective, Spin Master also expects Gross Product Sales for the first half of 2016 to vary from historic seasonality patterns and previous guidance, which was at the high end of the typical seasonality range of 25%-30% of total Gross Product Sales. The Company now expects Gross Product Sales for the first half of 2016 to represent between 30% and 35% of total Gross Product Sales. Adjusted EBITDA margins will be consistent with prior guidance, with Adjusted EBITDA margins comparable to 2015.

SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table provides selected historical information and other data of the Company.

	Three Months Ended				
	March 31 2016	December 31 2015	September 30 2015	June 30 2015	March 31 2015
(All amounts in US$ 000's , except EPS)			(unaudited)		
Revenue	161,702	258,408	386,829	127,702	106,467
Adjusted EBITDA [1]	23,973	13,646	118,667	17,943	10,193
Adjusted EBITDA Margin [1]	14.8%	5.3%	30.7%	14.1%	9.6%
Net Income / (loss)	9,937	(13,260)	51,092	7,574	1,669
Net Income / (loss) attributable to - owners of the company	9,937	(13,260)	48,782	6,310	1,382
Earnings per share attributable to common shareholders of the company (in dollars) [2]					
Basic and Diluted EPS	$0.10	($0.13)	$0.52	$0.07	$0.02
Adjusted Net Income / (loss) [1]	11,588	6,691	80,410	8,134	3,374
Adjusted Net Income / (loss) attributable to - owners of the company [1]	11,588	6,691	78,100	6,870	3,087
Adjusted Earnings per share attributable to common shareholders of the company (in dollars) [1] [2]					
Basic and Diluted EPS	$0.12	$0.07	$0.83	$0.08	$0.04
Free Cash flow [1]	16,359	(6,260)	75,830	5,788	(8,210)

1) See “Non-IFRS Financial Measures”
2) Amounts per share give effect on a retrospective basis following the Reorganization that occurred prior to the IPO
3) Quarterly adjusted earnings per share does not reconcile with annual earnings per share due to rounding.

The following table provides reconciliations of EBITDA, Adjusted EBITDA and Adjusted Net Income:

	Three Months Ended				
	March 31 2016	December 31 2015	September 30 2015	June 30 2015	March 31 2015
(All amounts in US$ 000's , except EPS)			(unaudited)		
Net Income after Tax	9,937	(13,260)	51,092	7,574	1,669
Finance Costs	1,760	4,925	922	423	269
Depreciation and Amortization	5,371	5,887	5,173	6,700	5,116
Income Tax	4,505	2,843	26,407	2,600	709
EBITDA (1)	**21,573**	**395**	**83,594**	**17,297**	**7,763**
Restructuring (2)	656	891	1,716	560	361
Recovery of contingent liability (3)	-	(457)	-	-	-
Foreign exchange loss (gain) (4)	(5,040)	529	4,396	(75)	1,627
Offering Costs (5)	-	257	65	161	442
Stock Based Compensation (6)	6,785	7,145	43,513	-	-
One time income from Transfer of Non Business Related Assets (7)	-	(73)	(9,617)	-	-
One time Service Fee income (8)	-	-	(5,000)	-	-
Impairment of Intangible Asset (9)	-	659	-	-	-
One time Legal Expense (10)	-	3,325	-	-	-
Fair Market Value adjustments (11)	-	975	-	-	-
Adjusted EBITDA (1)	**23,973**	**13,646**	**118,667**	**17,943**	**10,193**
Finance Costs	1,760	4,925	922	423	269
Depreciation and Amortization	5,371	5,887	5,173	6,700	5,116
Income Tax (12)	4,505	(6,643)	22,176	2,600	709
Tax Effect of Normalization Adjustments (13)	750	2,786	9,986	86	725
Adjusted Net Income (1)	**11,589**	**6,691**	**80,410**	**8,134**	**3,374**

Footnotes:

1) See "Non-IFRS Financial Measures"
2) 2016 restructuring related to changes in the Company's US operation. 2015 restructuring primarily related to a change to the Company's executive team.
3) A write off of contingent consideration related to a future earn-out provision associated with the acquisition of Spy Gear occurred as sales targets were not met to achieve
4) Transaction gains and losses generated by the effect of foreign exchange recorded on assets and liabilities denominated in a currency that differs from the functional
5) Offering Costs are considered a one time expense and are not reflective of on going costs of the business.
6) Stock based compensation is related to expenses associated with subordinate voting shares granted to equity participants and restricted stock units granted to employees
7) One of the predecessor corporations to the Company owned assets which are non income producing and do not relate to the business of the Company. Accordingly, the assets were transferred to the principal shareholders prior to the closing of the Offering through dividends in kind at their current fair market value.
8) One time service fee income is in connection with the acquisition of Cardinal and services provided to Cardinal prior to the closing of the transaction in Q3 2015.
9) Impairment of Intangible asset related to Content Development.
10) One time legal expense related to an outstanding litigation matter in Q4 2015
11) Amortization of Fair Market Value adjustments relating to acquisition of Cardinal Industries Inc. in the fourth quarter of 2015
12) Income tax expense /(recovery) and Finance Costs have been adjusted for 2015 to exclude Financial Impacts related to the settlement of certain tax matters as they are not
13) Tax effect of normalization adjustments (Footnotes 3-11). Normalization adjustments tax effected at the effective tax rate of the given period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is cash flow from operations. In addition, Spin Master, as a guarantor, is a party to a credit agreement among Spin Master Ltd. and Spin Master Toys Far East Limited as borrowers, and various Canadian chartered banks and Export Development Canada as lenders, and various subsidiaries of Spin Master (as additional guarantors (the "Credit Agreement").

The Credit Agreement consists of a revolving credit facility (the "Revolving Credit Facility"), a Hong Kong credit facility and a term credit facility (the "Term Credit Facility"),. As at March 31, 2016, the Company had $51,100 available under the Revolving Credit Facility portion of its credit facility and $148,900 available under the Term Credit Facility.

Management believes that its ongoing operations and resultant cash flow, plus cash on hand and availability under the revolving credit facility provide sufficient liquidity to support on-going operations over the next 12 months. 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 of 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, debt servicing and capital expenditures for tooling, film production, and to fund strategic acquisitions. As a result of the seasonal nature of the toy and children's entertainment industries, 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 October-December. The Company's cash flows from operating activities are typically at their highest levels of the year in the fourth quarter.

The Company has financed $2.8 million of the *Little Charmers* production costs with a loan from a Canadian chartered bank. The financing of the production costs of *Little Charmers* is directly related to the expected receipt of eligible government tax credits. As of March 31, 2016, the Company had fully utilized this facility. The Company intends to continue to use this credit facility to fund the costs of future television productions.

The following table provides a summary of Spin Master's consolidated cash flows for the three months ended March 31, 2016 and 2015.

(All amounts in US$ 000's)	Three months ended March 31		
	2016	**2015**	**$ Change**
Net cash flows generated by (used in) operating activities	4,161	(63,562)	67,723
Net cash flows used in investing activities	(19,845)	(7,740)	(12,105)
Net cash flows generated by (used in) financing activities	26,230	19,583	6,647
Net increase (decrease) in cash	**10,546**	**(51,719)**	**62,265**
Effect of exchange rate changes on cash	(1,320)	94	(1,414)
Cash at beginning of period	45,713	101,292	(55,579)
Cash at end of period	**54,939**	**49,667**	**5,272**

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, film development and strategic acquisitions.

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 on an annual basis. The

Company's annual capital expenses mostly comprise the purchase of tooling used in the manufacturing process and film production.

CASH FLOW

Cash from Operating Activities

Cash flows from operating activities were $4,161 for the three months ended March 31, 2016 compared to cash flows used in operating activities of $63,562 for the same period in 2015. The increase in cash from operating activities was due to higher net income, lower income taxes paid and changes in working capital driven by higher trade payables and other accrued liabilities.

Investing Activities

The following table provides a summary of Spin Master's consolidated cash flows used for investing activities for the three months ended March 31, 2016 and 2015:

(All amounts in US$ 000's)	Three months ended March 31		
	2016	**2015**	**$ Change**
Capital Expenditure			
Tooling	1,936	901	1,035
Other	157	915	(758)
Total Capital Expenditures	**2,093**	**1,816**	**277**
Intangible Assets			
Brands, Licenses and trademark acquisitions	62	-	62
Content development	5,400	5,401	(1)
Computer software	301	523	(222)
Total Intangible Assets	**5,763**	**5,924**	**(161)**
Business Acquisition (net of cash received)	11,989	-	11,989
Net cash flows used in investing activities	**19,845**	**7,740**	**12,105**

Cash flows used in investing activities were $19,845 for the three months ended March 31, 2016 compared to $7,740 for the same period in 2015. The increase in cash flows used in investing activities was driven primarily by the acquisition of the *Etch a Sketch* and *Doodle Sketch* brands and *Editrice Giochi SRL* in the quarter.

Financing Activities

Cash flows generated by financing activities were $26,230 for the three months ended March 31, 2016 compared to $19,583 for the same period last year. Cash flows generated from investing activities consisted of increases in bank indebtedness to support the ongoing operations of the Company's business and the acquisitions of *Etch a Sketch* and *Doodle Sketch* brands and *Editrice Giochi SRL.*

Free Cash Flow

The following table provides a summary of Spin Master's consolidated Free Cash Flow (a non-IFRS measure) for the three months ended March 31, 2016:

(All amounts in US$ 000's)	Three months ended March 31		
	2016	2015	$ Change
Net cash flows generated by (used in) operating activities	4,161	(63,562)	67,723
Plus:			
Changes in Working Capital	20,054	63,093	(43,039)
Net cash flows generated by (used in) operating activities before working capital changes	24,215	(469)	24,684
Less:			
Net cash flows used in investing activities	(19,845)	(7,740)	(12,105)
Plus:			
Cash used for License, Brand and Business Acquisitions	11,989	-	11,989
Free Cash Flow	**16,359**	**(8,209)**	**24,568**

Free Cash Flow was $16,359 for the three months ended March 31, 2016 compared to negative $8,209 for the same period in 2015. The increase in Free Cash Flow was due to higher net cash flows generated by operating activities before working capital changes.

COMMITMENTS

During the three months ended March 31, 2016, there was no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2015.

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.

OUTSTANDING SHARE CAPITAL

As at May 11, 2016, there were 79,680,812 Multiple Voting Shares outstanding and 18,848,928 Subordinate Voting Shares outstanding. There were also 763,495 Subordinate Voting Shares issuable pursuant to grants of restricted share units to employees at the time of the IPO and outstanding 346,148 options, exercisable for Subordinate Voting Shares that were granted to certain employees on March 31, 2016. (March 31, 2015 – 79,680,812 Multiple Voting Shares and 5,533,673 Subordinate Voting Shares outstanding, taking into consideration the reorganization that was completed prior to the IPO).

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2015 annual consolidated financial statements, as well as in the Company's 2015 Annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three months ended March 31, 2016 there were no changes to the critical accounting policies and estimates of the Company from those found in the 2015 Annual MD&A.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to the Company's accounting policies from those found in our 2015 Annual MD&A.

Accounting standards implemented in 2016

In May 2014, the IASB issued amendments to IFRS 11, "Joint Arrangements" ("IFRS 11") entitled "Accounting for Acquisitions of Interests in Joint Operations". The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. There was no impact on the Company's condensed consolidated interim financial statements as a result of the amendments to IFRS 11.

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process (Annual Improvements to IFRS (2012-2014) cycle). Amendments were made to clarify items including changes in method for disposal under IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations"; 'Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 "Financial Instruments: Disclosures"; Discount rate in a regional market sharing the same currency under IAS 19 "Employee Benefits"; Disclosure of information 'elsewhere in the interim financial report' under IAS 34 "Interim Financial Reporting". There was no impact on the Company's condensed consolidated interim financial statements as a result of the amendments.

In December 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1 amendments") as part of its major initiative to improve presentation and disclosure in financial reports. The IAS 1 amendments relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation, and are designed to further encourage companies to apply professional judgment in determining what information to disclosure in their financial statement. These amendments did not have a material impact on the Company's condensed consolidated interim 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 month period ended March 31, 2016 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

SPIN MASTER'S SCOPE LIMITATION ON DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, as permitted by securities legislation, for the period ended March 31, 2016, has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of *Cardinal* Industries, Inc., which Spin Master acquired through a wholly-owned subsidiary on October 2, 2015.

Included in Spin Master's consolidated financial statements for the three month periods ended March 31, 2016 are the following amounts related to Cardinal Industries Inc.:

Consolidated Statement of Operations:

Revenue $9,488

Net Income $919

Consolidated Balance Sheet

Current Assets $23,945

Other Assets $833

Current Liabilities: $2,818

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

The Certifying Officers believe that any DC&P 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-IFRS FINANCIAL MEASURES

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to "Adjusted EBITDA", "Adjusted Net Income", "EBITDA", "Free Cash Flow", "Gross Product Sales", "Sales Allowances" and "Total Gross Sales", which are non-IFRS financial measures. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Adjusted EBITDA is calculated as EBITDA excluding one time or other non-recurring items that do not necessarily reflect the Company's underlying financial performance, including foreign exchange gains or losses, restructuring costs, IPO costs and write downs, among other items. Adjusted EBITDA is used internally as the key benchmark for incentive compensation and by management as a measure of the Company's profitability and its ability to fund working capital requirements, investment in property, plant and equipment, and make debt repayments.

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 Net Income is calculated as net income excluding one time or other non-recurring items that do not necessarily reflect the Company's underlying financial performance including foreign exchange gains or losses, restructuring costs, IPO costs and write downs, among other items and the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income to understand the underlying financial performance of the business on a consistent basis over time.

EBITDA is calculated as net earnings before borrowing costs, taxes and depreciation and amortization. Management uses EBITDA internally as a measure of the Company's profitability and to benchmark the Company against key competitors.

Free Cash Flow is calculated as cash from operations before changes in working capital less capital expenditures plus any cash used in brand or business acquisitions. Capital expenditures include expenditures on assets such as property, plant, equipment (primarily expenditures of tooling) and the production of TV properties. Management uses the Free Cash Flow metric to analyze the cash flow being generated by the Company's business.

Gross Product Sales represent sales of the Company's products to customers, excluding the impact of marketing, incentive and allowance sales adjustments. Changes in Gross Product Sales are discussed because, while Spin Master records the details of such Sales Allowances in its financial accounting systems at the time of sale in order to calculate revenue, such Sales Allowances are generally not associated with individual products, making revenue less meaningful when comparing its segments and geographical results to highlight trends in Spin Master's business.

Total Gross Sales represents Gross Product Sales plus other revenue comprised of royalties and licensing fees from third parties for the use of the Company's intellectual property on the third parties' products and revenue generated through the distribution of the Company's television programs. Management uses Total Gross Sales to evaluate the Company's total revenue generating capacity compared to internal targets and past performance and as a measure to understand the performance of the Company, on a monthly, quarterly and annual basis.

Sales Allowances represent marketing and sales credits requested by customers relating to factors such as co-operative advertising, contractual discounts, negotiated discounts, customer audits, volume rebates, defective products, and costs incurred by customers to sell the Company's products and are booked as a reduction to Gross Product Sales. Management uses Sales Allowances to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Management believes that Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, EBITDA, Free Cash Flow, Gross Product Sales and Total Gross Sales are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, EBITDA, Free Cash Flow, Gross Product Sales and Total Gross Sales allow for assessment of the Company's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods.

Reconciliation Tables

The following table presents a reconciliation of Net Income to EBITDA, Adjusted EBITDA, Adjusted Net Income and Free Cash Flow for the quarter ended March 31, 2016 and 2015:

(All amounts in US$ 000's)		Three Months Ended March 31			
		2016	2015	$ Change	% Change
Net Income after Tax		$ 9,937	**$ 1,669**	**$ 8,268**	**495.4%**
Finance Costs		$ 1,760	$ 269	$ 1,491	554.2%
Depreciation and Amortization		$ 5,371	$ 5,116	$ 255	5.0%
Income Tax		$ 4,505	$ 709	$ 3,795	535.3%
EBITDA		**$ 21,573**	**$ 7,763**	**$ 13,811**	**177.9%**
Normalization Adjustments					
Restructuring	(1)	$ 656	$ 361	$ 295	81.7%
Foreign exchange loss /(gain)	(2)	$ (5,040)	$ 1,627	$ (6,667)	
Offering Costs	(3)	$ -	$ 442	$ (442)	-100.0%
Stock Based Compensation	(4)	$ 6,784	$ -	$ 6,784	
Adjusted EBITDA		**$ 23,973**	**$ 10,193**	**$ 13,780**	**135.2%**
Adjusted EBITDA		$ 23,973	$ 10,193	$ 13,780	135.2%
Finance Costs		$ 1,760	$ 269	$ 1,491	554.2%
Depreciation and Amortization		$ 5,371	$ 5,116	$ 255	5.0%
Income Tax		$ 4,505	$ 709	$ 3,796	535.4%
Tax Effect of Normalization Adjustments	(5)	$ 749	$ 726	$ 23	3.1%
Adjusted Net Income		**$ 11,588**	**$ 3,373**	**$ 8,215**	**243.5%**
Free Cash Flow					
Net cash flows generated by (used in) operating activities		$ 4,161	$ (63,562)	$ 67,723	
Plus:					
Changes in Working Capital		$ 20,054	$ 63,093	$ (43,039)	
Net cash flows generated by (used in) operating activities before working capital changes		**$ 24,215**	**$ (469)**	$ 24,684	
Less:					
Net cash flows used in investing activities		$ (19,845)	$ (7,740)	$ (12,105)	
Plus:					
Cash used for License, Brand and Business Acquisitions		$ 11,989	$ -	$ 11,989	
Free Cash Flow		**$ 16,359**	**$ (8,209)**	**$ 24,568**	

1) 2016 Restructuring related to changes to headcount that occurred primarily in the US. 2015 restructuring primarily related to changes to the Company's executive team.
2) Transaction gains and losses generated by the effect of foreign exchange recorded on assets and liabilities denominated in a currency that differs front the functional currency of the applicable entity are recorded as foreign exchange gain or loss in the period which they occur.
3) Offering Costs are considered a onetime expense and are not reflective of ongoing costs of the business.
4) Stock based compensation is related to expenses associated with subordinate voting shares granted to equity participants and restricted stock units granted to employees at the time of the offering.
5) Tax effect of normalization adjustments (Footnotes 1-4). Normalization adjustments tax effected at the effective tax rate of the given period

FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, contained in this document 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 document. 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 document include, without limitation, statements with respect to: the use of free cash flows; the receipt of eligible government tax credits; the business plans and strategies of the Company, including development and acquisition opportunities and product re-launches; intentions with respect to, and the ability to execute, its growth strategies; new brands and brand expansions; securing additional broader and more significant licenses from third parties; international sales; the number and timing of launching new products, brands and entertainment properties; the estimated effective tax rate of each entity of the Company; and the intended use of borrowings .

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 document, 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 document, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: 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 opportunities; the Company will be able to maintain its distribution capabilities; 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 IP 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 and retailers; the Company will continue to attract qualified personnel to support its development requirements; the Company founders will continue to be involved in the Company; and that the risk factors noted above, 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 document. Such risks and uncertainties include, without limitation, the factors discussed under “Risks Relating to Spin Master’s Business” in our 2015 Annual MD&A. 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.