Letter to Shareholders\(^{(1)}\)

In July 2015, Spin Master became a publicly traded company on the TSX, while generating record financial results including strong profitability and free cash flow.

**Completion of our Initial Public Offering**

2015 was a momentous year for Spin Master. Founded in 1994, Spin Master has grown from a start-up to become a global competitor in the children’s entertainment industry. We completed an Initial Public Offering on the Toronto Stock Exchange on July 30, 2015, selling approximately 14.1 million Subordinate Voting Shares for total gross proceeds of approximately C$253.1 million. The shares trade under the symbol TOY.

The decision to take Spin Master public followed a comprehensive review of the children’s entertainment industry and our operations, financial strength and growth prospects. Through that process, we recognized that access to public capital markets would provide us with the opportunity to accelerate growth by leveraging, and further developing, the strong global platform that we have established.

**Strong Financial Results**

Our financial results for 2015, our first year as a public company, were very satisfying. We generated Gross Product Sales\(^{(1)}\) totaling US$983 million, an increase of 21.1% from US$812 million in 2014. Over the past ten years, our Gross Product Sales\(^{(1)}\) have increased at a 12.7% compound annual growth rate. For the twelve months ended December 31, 2015, revenue increased by 22.9% from US$716 million for the same period in 2014 to US$879 million in 2015. In constant currency terms,\(^{(1)}\) revenue increased by 26.9% relative to 2014.

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\(^{(1)}\) Non-IFRS term. Non-IFRS measures do not have any standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and are therefore unlikely to be comparable to similar measures presented by other issuers. Please refer to the section entitled “Non-IFRS Financial Measures” in the Management Discussion and Analysis within this Annual Report for a discussion of the definition, components and uses of such non-IFRS measures, as well as a reconciliation of such non-IFRS measures to IFRS measures (where a comparable IFRS measure exists).
Gross profit in 2015 increased to US$459 million, or 52.2% of revenue, compared with US$358 million, or 50% of revenue in 2014. Net income for the year was US$47.1 million, or US$0.48 per share, a decrease of 24.3% from US$62.2 million in 2014. Adjusted Net Income\(^{(1)}\) was US$98.6 million, or US$1.04 per share, up 48.7% from US$66.3 million in 2014. Adjusted EBITDA\(^{(1)}\) for the year increased to US$160 million, up 43.5% from US$112 million in 2014. Adjusted EBITDA\(^{(1)}\) margins increased to 18.2% from 15.6% in 2014, reflecting higher gross profit, increased licensing and merchandizing revenue, and operating leverage.

**Growing our Business**
Spin Master has four major growth strategies, which are expected to drive mid to high single-digit organic gross product sales growth over the medium to long-term. First, we will continue to innovate across our portfolio of brands. Our competitive strength lies in our ability to constantly create meaningful innovation for our consumers. Second, we will develop evergreen global entertainment properties. We plan to leverage our current properties and develop 1–2 new properties per year. This will allow us to expand product margins and grow auxiliary revenue streams. Third, we plan to increase sales in international markets. At the end of 2015, our sales outside of North America were only 30% of our total compared with approximately 72% for the industry, underlining the significant opportunity we are seeking to exploit. Fourth, we will leverage our global platform through strategic acquisitions. We are focused on acquiring kid-focused intellectual property and brands, infusing them with our innovation expertise and growing them globally. The acquisitions of Cardinal Industries Inc. in 2015 and Editrice Giocchi SRL and the *Etch A Sketch* and *Doodle Sketch* brands in early 2016 highlight our ongoing strategic acquisition strategy.
Partnerships
Spin Master has been built on the success of our strategic partnerships. When we combine our strengths with those of our partners – including inventors, retailers, licensors, broadcasters, writers, directors and animation studios – we create significant value. We welcome you as our new partners and look forward to continued success.