

Spin Master Corp.

Condensed consolidated interim financial statements (unaudited)

For the three and nine months ended September 30, 2023 and September 30, 2022

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

Table of contents

Condensed consolidated interim statements of financial position	1
Condensed consolidated interim statements of earnings and comprehensive income	2
Condensed consolidated interim statements of changes in shareholders' equity.....	3
Condensed consolidated interim statements of cash flows	4
Notes to the Condensed consolidated interim financial statements	5 - 33

Spin Master Corp.

Condensed consolidated interim statements of financial position

(Unaudited, in US\$ millions)	Notes	Sep 30, 2023	Dec 31, 2022
Assets			
Current assets			
Cash and cash equivalents	10	650.7	644.3
Trade receivables, net	11	442.8	311.0
Other receivables	11	59.3	49.5
Inventories, net	12	153.3	105.1
Prepaid expenses and other assets	13	38.2	22.3
		1,344.3	1,132.2
Non-current assets ¹			
Intangible assets ¹	16	295.9	279.8
Goodwill	17	191.0	179.0
Deferred income tax assets		91.4	94.7
Right-of-use assets	26	54.8	62.9
Property, plant and equipment	15	36.4	36.0
Other assets	13	23.4	20.5
		692.9	672.9
Total assets¹		2,037.2	1,805.1
Liabilities			
Current liabilities ¹			
Trade payables and accrued liabilities	18	433.3	339.4
Provisions	21	29.9	30.7
Lease liabilities	26	14.4	16.3
Income tax payable ¹		14.1	29.7
Deferred revenue	19	4.5	11.5
		496.2	427.6
Non-current liabilities			
Deferred income tax liabilities		57.9	55.7
Lease liabilities	26	48.9	54.9
Provisions	21	20.2	15.1
		127.0	125.7
Total liabilities¹		623.2	553.3
Shareholders' equity			
Share capital	22	781.4	754.7
Retained earnings ¹		639.1	477.4
Contributed surplus		24.7	40.7
Accumulated other comprehensive loss		(31.2)	(21.0)
Total shareholders' equity¹		1,414.0	1,251.8
Total liabilities and shareholders' equity¹		2,037.2	1,805.1

¹ December 31, 2022 restated for the change in accounting policy (see Note 3).

Approved by the Board of Directors on November 1, 2023.

The accompanying notes on pages 5 to 33 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of earnings and comprehensive income

(Unaudited, in US\$ millions, except earnings per share)	Notes	Nine Months Ended Sep 30,			
		Q3 2023	Q3 2022	2023	2022
Revenue	4	710.2	624.0	1,402.3	1,554.5
Cost of sales		323.3	273.6	625.9	683.1
Gross profit		386.9	350.4	776.4	871.4
Expenses					
Selling, general and administrative	7	202.1	195.3	530.9	544.3
Depreciation and amortization	7	6.0	7.1	18.3	21.8
Other expense, net	5	0.8	4.1	5.2	4.2
Foreign exchange gain, net	8	(19.2)	(43.5)	(3.5)	(66.2)
Operating Income		197.2	187.4	225.5	367.3
Interest income	6	(7.2)	(3.5)	(20.4)	(5.2)
Interest expense	6	4.8	3.9	11.2	9.8
Income before income tax expense		199.6	187.0	234.7	362.7
Income tax expense	9	44.2	45.6	53.2	87.6
Net Income		155.4	141.4	181.5	275.1
Earnings per share					
Basic	23	1.50	1.37	1.75	2.67
Diluted	23	1.45	1.33	1.72	2.59
Weighted average number of shares (in millions)					
Basic	23	103.6	102.9	103.4	102.9
Diluted	23	107.3	106.3	105.3	106.3

(Unaudited, in US\$ millions)		Nine Months Ended Sep 30,			
		Q3 2023	Q3 2022	2023	2022
Net Income		155.4	141.4	181.5	275.1
Items that may be subsequently reclassified to Net Income					
Foreign currency translation loss		(30.5)	(70.8)	(10.2)	(101.3)
Items that are not subsequently reclassified to Net Income					
Gain on Minority interest and other investments	13, 29	—	—	—	0.1
Other comprehensive income (loss)		(30.5)	(70.8)	(10.2)	(101.2)
Total comprehensive income		124.9	70.6	171.3	173.9

The accompanying notes on pages 5 to 33 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of changes in shareholders' equity

(Unaudited, in US\$ millions)	Note	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2022¹		736.9	225.3	40.8	58.7	1,061.7
Net Income		—	275.1	—	—	275.1
Other comprehensive loss - foreign currency translation		—	—	—	(101.3)	(101.3)
Other comprehensive income - other		—	—	—	0.1	0.1
Share-based compensation	22	—	—	12.9	—	12.9
Dividends declared	22	—	(4.6)	—	—	(4.6)
Share options exercised and common shares issued	22	0.2	—	(0.1)	—	0.1
Shares issued upon settlement of long-term incentive plan	22	17.6	—	(17.6)	—	—
Balance at September 30, 2022		754.7	495.8	36.0	(42.5)	1,244.0
Balance at January 1, 2023¹		754.7	477.4	40.7	(21.0)	1,251.8
Net Income		—	181.5	—	—	181.5
Other comprehensive loss - foreign currency translation		—	—	—	(10.2)	(10.2)
Share-based compensation	22	—	—	15.4	—	15.4
Dividends declared	22	—	(14.0)	—	—	(14.0)
Shares issued upon settlement of long-term incentive plan	22	31.4	—	(31.4)	—	—
Subordinate voting shares purchased and cancelled	22	(4.7)	(5.8)	—	—	(10.5)
Balance at September 30, 2023		781.4	639.1	24.7	(31.2)	1,414.0

¹ Restated for the change in accounting policy (see Note 3)

The accompanying notes on pages 5 to 33 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of cash flows

(Unaudited, in US\$ millions)	Notes	Nine Months Ended Sep 30,	
		2023	2022
Operating activities			
Net Income		181.5	275.1
Adjustments to reconcile Net Income to cash provided by operating activities			
Income tax expense	9	53.2	87.6
Interest income	6	(20.4)	(5.2)
Depreciation and amortization	7	88.4	50.3
Loss on disposal of non-current assets	15, 16	1.0	1.2
Accretion expense on lease liabilities and non-current provisions	6	3.9	4.1
Amortization of Facility fee costs	6	0.3	0.3
Gain on investment in limited partnership, net	29	(0.3)	(0.2)
Impairment of non-current assets	15, 16, 17	3.6	1.0
Loss on Minority interest and other investments	5	—	0.5
Unrealized foreign exchange loss (gain), net	8	8.3	(57.7)
Share-based compensation expense	22	15.4	12.9
Net changes in non-cash working capital	24	(131.9)	(65.8)
Net change in non-cash provisions and other assets		(0.7)	6.1
Income taxes paid		(64.1)	(62.0)
Income taxes received		0.6	3.9
Interest received		20.3	4.0
Cash provided by operating activities		159.1	256.1
Investing activities			
Investment in property, plant and equipment	15	(22.3)	(22.9)
Investment in intangible assets	16	(61.5)	(53.2)
Business acquisitions	28	(26.5)	(10.2)
Investment distribution income	5	0.3	0.1
Minority interest and other investments	13	(2.0)	(4.0)
Proceeds from sale of manufacturing operations	14	—	9.2
Cash used in investing activities		(112.0)	(81.0)
Financing activities			
Payment of lease liabilities	26	(11.4)	(11.9)
Dividends paid	22	(14.0)	—
Proceeds from issuance of common shares from exercise of share options	22	—	0.1
Repurchase of subordinate voting shares under the NCIB	22	(10.5)	—
Cash used in financing activities		(35.9)	(11.8)
Effect of foreign currency exchange rate changes on cash and cash equivalents		(4.8)	(51.1)
Net increase in cash and cash equivalents during the period		6.4	112.2
Cash and cash equivalents, beginning of period		644.3	562.7
Cash and cash equivalents, end of period		650.7	674.9

The accompanying notes on pages 5 to 33 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

1. Description of business

Spin Master Corp. was formed by the amalgamation of Spin Master Corp. (formerly SML Investments Inc. which was incorporated on June 9, 2004 under the *Business Corporations Act* (Ontario)), SML Investments 2008 Inc. and Varadi Bee Corp. pursuant to the filing of articles of amalgamation under the *Business Corporations Act* (Ontario) on July 29, 2015. The Company is a leading global children's entertainment company, creating exceptional play experiences through its three creative centres: Toys, Entertainment and Digital Games. Its head and registered office is located at 225 King Street West, Suite 200, Toronto, Canada, M5V 3M2. Spin Master Corp. and its subsidiaries are together referred to, in these Condensed consolidated interim financial statements, as the "Company" or "Spin Master".

The Company has three reportable operating segments: Toys, Entertainment and Digital Games (see Note 30).

2. Summary of material accounting policy information

(A) Statement of compliance

These Condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The same accounting policies, presentation and methods of computation have been followed in these Condensed consolidated interim financial statements as were applied in the preparation of the Company's Consolidated financial statements for the year ended December 31, 2022, except the change in accounting policy discussed in Note 3 of these Condensed consolidated interim financial statements.

Effective January 1, 2023, the Company adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments to IAS 1 require that the Company discloses its material accounting policies instead of its significant accounting policies. The amendments also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed, and not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. As a result of the adoption of these amendments, there were no adjustments to the presentation or amounts recognized in these Condensed consolidated interim financial statements.

Effective January 1, 2023, the Company adopted the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The adoption of this standard did not have a material impact on these Condensed consolidated interim financial statements.

In May 2023, the IASB also amended IAS 12 Income Taxes to include a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to the new global minimum tax regime ("Pillar Two"). The Company has applied this temporary exception.

All financial information is presented in millions of United States dollars ("US\$") and has been rounded to the nearest hundred thousand, except as otherwise indicated.

These Condensed consolidated interim financial statements and accompanying notes were approved and authorized for issuance by the Board of Directors of the Company on November 1, 2023.

(B) Basis of preparation

These Condensed consolidated interim financial statements include the accounts of Spin Master Corp. and its subsidiaries and should be read in conjunction with the Company's audited Consolidated financial statements, including the notes thereto, for the year ended December 31, 2022.

The Company has assessed significant accounting judgments and estimates in preparing the Company's Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022. The accounting policies, judgments and estimates as disclosed in Note 3 of the Company's audited Consolidated financial statements for the year ended December 31, 2022 have been applied consistently in the preparation of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

3. Change in accounting policy

Effective January 1, 2023, the Company adopted a voluntary change to the Company's accounting policy for the determination of the unit of account used for measuring the entertainment content development assets. The new measurement basis changes the unit of account for the entertainment content assets from episodic to a full season. Previously, the Company amortized the entertainment content development assets at the time of delivery of each episode or film.

Management believes this change in unit of account results in more relevant and reliable information as the new policy better reflects the consumption of the entertainment content development assets to reflect their anticipated pattern of future economic benefits.

Under the new accounting policy, the consumption of entertainment content development assets will be measured as a season with rates ranging from 25% to 100% at the time of delivery. For assets not fully amortized upon delivery, at rates from 50% to 75% of the remaining balance annually thereafter depending on the expected future benefit attributed to the entertainment content development assets.

The change in accounting policy was applied retrospectively to all periods presented within the Company's Condensed consolidated financial statements. The change impacted previously reported retained earnings and associated line items within the statement of financial position. The net income impact of the change in accounting policy relating to the prior period presented is immaterial and as such is not separately disclosed below.

(US\$ millions)	December 31, 2022		
	Previously Reported	Change in Policy	Restated Balance
Intangible assets	267.2	12.6	279.8
Income tax payable	26.4	3.3	29.7
Retained earnings	468.1	9.3	477.4

4. Revenue

The Company earns revenue from the following primary sources: Toys, Entertainment and Digital Games revenue.

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Toy revenue	601.5	552.4	1,134.1	1,340.9
Entertainment revenue	63.4	37.0	134.9	87.6
Digital Games revenue	45.3	34.6	133.3	126.0
Revenue	710.2	624.0	1,402.3	1,554.5

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

5. Other expense, net

(US\$ millions)	Notes	Nine Months Ended Sep 30,			
		Q3 2023	Q3 2022	2023	2022
Acquisition related deferred incentive compensation	28	1.8	2.8	6.0	8.1
Acquisition related deferred consideration	21	—	(0.5)	(2.1)	(0.5)
Impairment on long-lived assets	15, 16, 17	0.2	1.0	3.6	1.0
Loss on Minority interest and other investments	13	—	—	—	0.5
Net realized gain on investment	29	(0.2)	—	(0.1)	(0.1)
Net unrealized gain on investment	29	—	—	(0.3)	(0.1)
Legal settlement recovery		(0.7)	—	(0.5)	(2.1)
Other		(0.3)	0.8	(1.4)	(2.6)
Other expense, net		0.8	4.1	5.2	4.2

Acquisition related deferred incentive compensation includes amounts that are contingent on the continued employment of key principals as well as the achievement of certain performance metrics, over their respective requisite service periods (see Note 28).

6. Interest expense and Interest income

(US\$ millions)	Nine Months Ended Sep 30,			
	Q3 2023	Q3 2022	2023	2022
Bank fees and financing charges	3.3	2.5	7.0	5.4
Accretion expense	1.3	1.3	3.9	4.1
Amortization of facility fee costs	0.1	0.1	0.3	0.3
Other	0.1	—	—	—
Interest expense	4.8	3.9	11.2	9.8
Interest income¹	(7.2)	(3.5)	(20.4)	(5.2)

¹ Interest income includes interest earned on cash and cash equivalents held by the Company.

7. Expenses

Expenses include selling, general and administrative expenses and depreciation and amortization.

Selling, general and administrative expenses

(US\$ millions)	Nine Months Ended Sep 30,			
	Q3 2023	Q3 2022	2023	2022
Administrative	90.1	83.9	278.1	262.6
Marketing	35.6	39.8	90.7	101.8
Selling	50.9	45.5	95.6	110.4
Distribution	17.2	17.3	44.1	47.8
Product development	8.3	8.8	22.4	21.7
Selling, general and administrative	202.1	195.3	530.9	544.3

Administrative expenses include the following:

(US\$ millions)	Nine Months Ended Sep 30,			
	Q3 2023	Q3 2022	2023	2022
Employee compensation and benefits ¹	61.0	60.5	199.1	190.5
Technology, property, travel and office costs	12.4	10.9	36.1	31.2
Professional services, recruiting and training	12.9	10.7	29.9	31.8
Other	3.8	1.8	13.0	9.1
Administrative expenses	90.1	83.9	278.1	262.6

¹ During the three months ended September 30, 2023, the Company recognized restructuring expenses of \$0.8 million. During the nine months ended September 30, 2023, the Company recognized restructuring expenses of \$14.3 million, primarily related to the reduction in the Company's global workforce and closure of its manufacturing facility in Calais, France. Please refer to Note 18 for the corresponding liability related to the unpaid portion of the restructuring expense.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

7. Expenses (continued)

Employee compensation and benefits

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Employee compensation and benefits in administrative expenses	61.0	60.5	199.1	190.5
Employee compensation and benefits expenses in cost of sales	0.9	0.8	2.8	3.1
Employee compensation and benefits	61.9	61.3	201.9	193.6

Depreciation and amortization

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	5.0	5.1	14.8	15.5
Building and leasehold improvements	0.5	1.4	2.9	4.1
Equipment	0.8	0.3	1.8	1.3
Computer hardware	0.3	0.2	0.7	0.6
Equipment, included in cost of sales	0.6	—	1.8	0.1
	7.2	7.0	22.0	21.6
Intangible assets				
Entertainment content development, included in cost of sales	31.7	2.5	49.7	9.7
Digital games and app development, included in cost of sales	1.3	1.1	3.7	3.2
Trademarks, licenses, IP & customer lists - definite life	0.9	1.3	2.3	4.0
Computer software	0.7	0.8	1.8	2.6
	34.6	5.7	57.5	19.5
Right-of-use assets	2.9	3.1	8.9	9.2
Depreciation and amortization	44.7	15.8	88.4	50.3

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Included in cost of sales	38.7	8.7	70.1	28.5
Included in expenses	6.0	7.1	18.3	21.8
Depreciation and amortization	44.7	15.8	88.4	50.3

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

8. Foreign exchange

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Unrealized foreign exchange (gain) loss, net	(17.9)	(45.8)	8.3	(57.7)
Realized foreign exchange (gain) loss, net	(1.3)	2.3	(11.8)	(8.5)
Foreign exchange loss (gain), net	(19.2)	(43.5)	(3.5)	(66.2)

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 and also includes gains and losses related to the Company's hedging programs. The Company periodically enters into derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk on cash flows denominated in currencies other than the US dollar (see Note 29).

9. Income tax

The income tax expense recognized in the Condensed consolidated interim statements of earnings and comprehensive income comprises of the following:

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Current income tax expense	38.9	40.9	47.3	78.8
Deferred income tax expense	5.3	4.7	5.9	8.8
Income tax expense	44.2	45.6	53.2	87.6

The income tax expense is calculated as follows:

(US\$ millions)	Nine Months Ended Sep 30,			
	2023		2022	
Income before income tax expense	234.7		362.7	
Income tax expense at Canadian statutory tax rate of 26.5% (2022 - 26.5%)	62.2	26.5 %	96.1	26.5 %
Effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	(7.0)	(3.0)%	(10.3)	(2.8)%
Unused tax losses and tax attributes not recognized as deferred tax assets	2.4	1.0 %	0.5	0.1 %
Expense (income) not deductible (taxable) in determining taxable income	1.2	0.5 %	(0.4)	(0.1)%
Other	(5.6)	(2.3)%	1.7	0.5 %
Income tax expense	53.2	22.7 %	87.6	24.2 %

The tax rates used for the reconciliations above are the Canadian statutory tax rates of Spin Master Corp., payable by corporate entities in the Company, on taxable profits under tax laws in the respective jurisdictions in which the Company operates.

Certain jurisdictions of the Organization for Economic Co-operation and Development ("OECD") have agreed to implement a new global minimum tax regime based on model rules. The proposed Pillar Two rules are intended to ensure that large multinational enterprises pay a minimum tax of 15% on the income arising in each jurisdiction in which they operate. These rules may come into effect in 2024.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

10. Cash and cash equivalents

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Cash	650.7	544.3
Cash equivalents	—	100.0
Cash and cash equivalents	650.7	644.3

As at September 30, 2023, the Company held \$nil (December 31, 2022 - \$100.0 million) in short term investments with a maturity date of 90 days or less.

11. Trade and other receivables, net

Trade receivables

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Trade receivables	654.8	514.7
Provisions for sales allowances	(208.1)	(202.2)
Allowance for doubtful accounts	(3.9)	(1.5)
Trade receivables, net	442.8	311.0

Trade receivables disclosed above include any amounts that are past due as at the end of the reporting period.

Other receivables

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Investment tax credits receivables	48.3	37.3
Sales tax receivables	7.3	3.9
Other	3.7	8.3
Other receivables	59.3	49.5

12. Inventories, net

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Raw materials	4.6	7.7
Finished goods	148.7	97.4
Inventories, net	153.3	105.1

Inventories as at September 30, 2023 are net of \$13.3 million for the provision of finished goods inventories to net realizable value (December 31, 2022 - \$8.8 million).

The cost of inventories recognized as an expense in cost of sales during the three and nine months ended September 30, 2023 was \$265.6 million (2022 - \$251.2 million) and \$508.0 million (2022 - \$607.2 million), respectively.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

13. Prepaid expenses and other assets

(US\$ millions)	Notes	Sep 30, 2023	Dec 31, 2022
Prepaid expenses		19.5	13.9
Advances on royalties		17.2	6.7
Unrealized foreign exchange gain		1.5	1.7
Prepaid expenses and other assets		38.2	22.3

(US\$ millions)	Notes	Sep 30, 2023	Dec 31, 2022
Minority interest and other investments		10.8	8.8
Investment in a limited partnership	29	3.6	3.9
Advances on royalties		3.5	2.9
Investment tax credits - non-current portion		4.1	3.6
Other		1.4	1.3
Other assets, non-current		23.4	20.5

Minority interest and other investments

During the nine months ended September 30, 2023, the Company invested \$2.0 million in existing Minority interest and other investments classified as fair value through profit or loss ("FVTPL").

In 2022, the Company acquired minority interests in privately-held entities for a total of \$7.5 million. The investments are held for medium to long term strategic purposes. Four investments are classified as FVTPL and one classified as fair value through other comprehensive income ("FVTOCI").

Minority interest and other investments classified as FVTOCI comprise of equity instruments that the Company has irrevocably elected to recognize in this category. These are strategic investments, and the Company considers this classification to be more relevant.

The carrying value of the five Minority interest and other investments held as at September 30, 2023 (December 31, 2022 - five investments) were as follows:

(US\$ millions)	Initial investment	Carrying value at, Sep 30, 2023	Dec 31, 2022
Minority interest and other investments classified as FVTOCI	3.6	3.0	3.0
Minority interest and other investments classified as FVTPL	8.3	7.8	5.8
Minority interest and other investments	11.9	10.8	8.8

For the three and nine months ended September 30, 2023, the Company recognized \$nil gains or losses for the Minority interest and other investments classified as FVTPL and FVTOCI in the Condensed consolidated interim statements of earnings and comprehensive income (2022 - loss of \$0.5 million was recognized within Other expense, net).

14. Assets held for sale

On February 7, 2022, the Company divested manufacturing assets located in Tarboro, North Carolina and certain related brands associated with its Outdoor business for proceeds of \$9.2 million. Upon closing of the sale, a loss on disposal of \$0.1 million was recognized in Other expense, net in the Condensed consolidated interim statements of earnings and comprehensive income.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

15. Property, plant and equipment

(US\$ millions)	Moulds, dies and tools	Equipment	Land, building and leasehold improvements	Computer hardware	Total
Cost					
Balance at December 31, 2021	172.6	28.1	39.6	12.4	252.7
Additions	23.0	3.6	2.7	1.1	30.4
Disposals	(7.0)	(0.4)	(0.8)	(0.5)	(8.7)
Impairments	(1.6)	—	—	—	(1.6)
Foreign currency translation	(10.9)	(1.1)	(1.8)	(0.4)	(14.2)
Balance at December 31, 2022	176.1	30.2	39.7	12.6	258.6
Additions	15.6	1.5	3.6	1.6	22.3
Disposals	(17.0)	(0.8)	(1.2)	(0.6)	(19.6)
Assets recognized upon acquisition	0.5	—	—	—	0.5
Foreign currency translation	(5.5)	(0.3)	(0.1)	—	(5.9)
Balance at September 30, 2023	169.7	30.6	42.0	13.6	255.9
Accumulated depreciation					
Balance at December 31, 2021	(151.4)	(22.3)	(27.4)	(11.8)	(212.9)
Depreciation	(20.5)	(1.8)	(5.6)	(0.8)	(28.7)
Disposals	5.8	0.4	0.7	0.4	7.3
Impairments	(0.3)	—	—	—	(0.3)
Foreign currency translation	9.5	0.6	1.4	0.5	12.0
Balance at December 31, 2022	(156.9)	(23.1)	(30.9)	(11.7)	(222.6)
Depreciation	(14.8)	(3.6)	(2.9)	(0.7)	(22.0)
Disposals	16.2	0.8	0.9	0.6	18.5
Impairments	(0.2)	—	—	—	(0.2)
Foreign currency translation	6.4	0.2	0.1	0.1	6.8
Balance at September 30, 2023	(149.3)	(25.7)	(32.8)	(11.7)	(219.5)
Net carrying amount					
Balance at December 31, 2022	19.2	7.1	8.8	0.9	36.0
Balance at September 30, 2023	20.4	4.9	9.2	1.9	36.4

At September 30, 2023, the Company assessed tangible assets for any indication of impairment and noted no indicators with the exception of those related to certain tooling assets. Impairments are recorded when the carrying amount of the asset exceeds its recoverable amount. For the three and nine months ended September 30, 2023, the Company recorded impairments of \$nil (2022 - \$1.0 million) and \$0.2 million (2022 \$1.0 million), respectively related to tooling in Other expense, net within the Condensed consolidated interim statements of earnings and comprehensive income.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

16. Intangible assets

(US\$ millions)	Note	Brands - indefinite	Trademarks, licenses, IP & customer lists - definite	Entertainment content development	Digital game and app development	Computer software	Total
Cost							
Balance at December 31, 2021		157.3	56.4	253.0	27.6	34.6	528.9
Additions		—	0.5	54.6	9.1	4.8	69.0
Asset impairments		—	—	(1.1)	—	—	(1.1)
Assets acquired through business combinations	28	4.4	—	—	—	—	4.4
Foreign currency translation		(2.0)	(0.8)	(15.7)	(1.9)	(2.5)	(22.9)
Balance at December 31, 2022		159.7	56.1	290.8	34.8	36.9	578.3
Additions ¹		3.3	—	42.8	12.8	2.6	61.5
Disposals		—	—	—	—	0.1	0.1
Asset impairments		—	—	(0.6)	(0.7)	(1.1)	(2.4)
Assets acquired through business combinations	28	12.5	3.7	—	—	—	16.2
Foreign currency translation		(0.1)	—	(1.4)	(0.6)	(0.3)	(2.4)
Balance at September 30, 2023		175.4	59.8	331.6	46.3	38.2	651.3
Accumulated amortization							
Balance at December 31, 2021	3	—	(32.1)	(213.0)	(14.8)	(29.2)	(289.1)
Amortization		—	(5.1)	(14.4)	(4.3)	(3.5)	(27.3)
Foreign currency translation		—	0.5	13.7	1.4	2.3	17.9
Balance at December 31, 2022	3	—	(36.7)	(213.7)	(17.7)	(30.4)	(298.5)
Amortization		—	(2.3)	(49.8)	(3.6)	(1.8)	(57.5)
Foreign currency translation		—	(0.6)	0.7	0.3	0.2	0.6
Balance at September 30, 2023		—	(39.6)	(262.8)	(21.0)	(32.0)	(355.4)
Net carrying amount							
Balance at December 31, 2022	3	159.7	19.4	77.1	17.1	6.5	279.8
Balance at September 30, 2023		175.4	20.2	68.8	25.3	6.2	295.9

¹ On April 14, 2023, the Company recorded an addition of \$3.3 million in indefinite life brands as a result of the asset acquired from a games & puzzles company.

Effective January 1, 2023, the Company adopted a voluntary change to its accounting policy for the determination of the unit of account used for measuring the entertainment content development assets resulting in a restatement of \$12.6 million (see Note 3).

The Company's Entertainment content development and Digital Games development assets are comprised primarily of internally generated intangible assets. As at September 30, 2023, the range of remaining useful life of these definite life intangible assets based on their net carrying amount was one to five years.

At September 30, 2023, the Company assessed intangible assets for any indication of impairment. Impairments are recorded when the carrying amount of the asset exceeds its recoverable amount. The Company recorded impairment of \$0.2 million (2022 - \$nil) and \$2.4 million (2022 - \$nil) for the three and nine months ended September 30, 2023, respectively related to content development projects and components of computer software in Other expense, net within the Condensed consolidated interim statements of earnings and comprehensive income.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

17. Goodwill

At September 30, 2023, the Company assessed goodwill for any indication of impairment and recognized \$nil and \$1.0 million in impairments during the three and nine months ended September 30, 2023, respectively, (2022 - \$nil) in the Condensed consolidated interim statements of earnings and comprehensive income. Impairments are recorded when the carrying amount of the asset exceeds its recoverable amount.

18. Trade payables and accrued liabilities

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Trade payables	234.5	153.0
Accrued liabilities	198.8	186.4
Trade payables and accrued liabilities	433.3	339.4

Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax, dividends payable, and other. As at September 30, 2023, \$4.7 million of dividends payable is included in accrued liabilities (December 31, 2022 - \$4.6 million) (see Note 22).

As at September 30, 2023, a restructuring liability of \$6.5 million (December 31, 2022 - \$0.4 million), related to the reduction in the Company's global workforce and closure of its manufacturing facility in Calais, France, is included in accrued liabilities with a corresponding expense recorded in Selling, general and administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income (Please refer to Note 7).

19. Deferred revenue

Deferred revenue is comprised of advances on contracts relating to Entertainment revenue and subscriptions relating to Digital Games revenue. These amounts represent consideration received in advance of the Company fulfilling its performance obligations. As at September 30, 2023, the Company had deferred revenue of \$4.5 million (December 31, 2022 - \$11.5 million).

The Company recognized revenue during the three and nine months ended September 30, 2023 of \$7.4 million (2022 - \$4.7 million) and \$11.7 million (2022 - \$8.0 million), respectively, relating to amounts previously deferred. There was no revenue recognized that related to performance obligations from a prior year.

20. Loans and borrowings

Unsecured Debt

Bank Facilities

The Company has an unsecured five-year revolving credit facility (the "Facility") with a borrowing capacity of \$510.0 million which 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 \$1.8 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 September 30, 2023, there were \$1.5 million (December 31, 2022 - \$1.4 million) in letters of credit outstanding under the Facility. As at September 30, 2023, there was \$nil drawn (December 31, 2022 - \$nil) under the Facility. As at September 30, 2023, Unamortized Facility fee costs in the amount of \$1.2 million (December 31, 2022 - \$1.2 million) recognized in Prepaid expenses and other assets in the Condensed consolidated interim statements of financial position.

This Facility is subject to the maintenance of certain financial covenants. The Company was in compliance with all financial covenants as at September 30, 2023 and December 31, 2022.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

20. Loans and borrowings (continued)

Bank Overdraft Facility

The Company has an uncommitted Overdraft Facility Agreement (the "European Facility") for \$15.9 million (equivalent to €15.0 million). The European Facility will be used, if needed, to fund working capital requirements in Europe. As at September 30, 2023, the outstanding balance was \$nil (December 31, 2022 - \$nil).

Secured Debt

Bank Facilities

The Company has an uncommitted Revolving Credit Facility to finance television and film production. The limit of the credit facility (the "Production Facility") is \$7.4 million (equivalent to CA\$10.0 million). As at September 30, 2023, the outstanding balance of the Production Facility was \$nil (December 31, 2022 - \$nil).

21. Provisions

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Deferred Consideration ⁽ⁱ⁾	30.0	26.7
Defectives ⁽ⁱⁱ⁾	14.2	13.6
Supplier liabilities ⁽ⁱⁱⁱ⁾	5.9	5.5
Provisions	50.1	45.8
Current	29.9	30.7
Non-current	20.2	15.1
Provisions	50.1	45.8

(US\$ millions)	Deferred consideration ⁽ⁱ⁾	Defectives ⁽ⁱⁱ⁾	Supplier liabilities ⁽ⁱⁱⁱ⁾	Total
December 31, 2021	23.3	9.9	5.9	39.1
Provisions recognized	12.5	11.4	2.0	25.9
Accretion recognized	1.3	—	—	1.3
Payments	(12.6)	(7.6)	(2.4)	(22.6)
Revaluation of provisions	2.2	(0.1)	—	2.1
December 31, 2022	26.7	13.6	5.5	45.8
Provisions recognized	12.3	7.4	1.8	21.5
Accretion recognized	0.6	—	—	0.6
Payments	(7.4)	(7.0)	(1.4)	(15.8)
Revaluation of provisions	(2.2)	0.2	—	(2.0)
September 30, 2023	30.0	14.2	5.9	50.1

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

21. Provisions *(continued)*

- (i) Certain business combinations include agreement terms associated with royalty payables or deferred incentive compensation and are based on the achievement of certain financial performance criteria and/or continued employment. The accretion of the royalties is recorded in Interest expense in the Condensed consolidated interim statements of earnings and comprehensive income. Accrued deferred incentive compensation is recorded in Other expense, net in the Condensed consolidated interim statements of earnings and comprehensive income. Subsequent reviews of financial performance may result in the recording of additional considerations or reductions of the existing provision and are recorded in Other expense, net in the Condensed consolidated interim statements of earnings and comprehensive income.
- (ii) Defectives occur when the end consumer returns faulty goods to the Company's customers. Customers without a fixed allowance for defectives are eligible for a credit for the cost of the product if returned as defective by the end consumer. The estimate of defectives is made based on the class and nature of the product and reduces the revenue figure in the Condensed consolidated interim statements of earnings and comprehensive income.
- (iii) Supplier liabilities represent the estimated amounts to be paid to suppliers for lower than expected volumes purchased, resulting in the supplier having excess raw material and/or finished goods inventory. While such payments are not legally required, the Company may compensate suppliers to maintain supplier relationships. The supplier obligation is based on the Company's estimate of the cost of the supplier's excess raw material and/or finished goods inventory. The provision for supplier obligations is recorded in cost of sales in the Condensed consolidated interim statements of earnings and comprehensive income.

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not probable to have a material adverse effect on the Company's business, financial condition and/or its results of operations. However, in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

22. Share capital

(a) Authorized as at September 30, 2023 and December 31, 2022

- Unlimited number of multiple voting shares with no par value;
- Unlimited number of subordinate voting shares with no par value; and
- Unlimited number of preferred shares issuable in series with no par value.

Multiple voting shares and subordinate voting shares entitle the holder to receive dividends, and to receive the proceeds of liquidation, dissolution or winding up the Company in proportion to the number of shares held. These rights are subject to the prior rights of the holders of any shares ranking prior to the multiple voting shares and the subordinate voting shares.

The holders of the multiple voting shares are entitled to 10 votes for each share held and the holders of the subordinate voting shares are entitled to 1 vote for each share held.

Multiple voting shares are convertible at any time into an equivalent number of subordinate voting shares. Subordinate voting shares do not have any redemption or conversion rights.

Preferred shares of each series will be entitled to preference over the multiple voting shares and subordinate voting shares with respect to the payment of dividends and to receive the proceeds of liquidation, dissolution or winding up of the Company.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

22. Share capital (continued)

	Nine Months Ended Sep 30, 2023		Year Ended Dec 31, 2022	
	Shares (millions)	Amount (US\$ millions)	Shares (millions)	Amount (US\$ millions)
<u>Multiple voting shares:</u>				
Outstanding, beginning of year	68.7	350.5	70.6	360.2
Conversion to subordinate voting shares	—	—	(1.9)	(9.7)
Outstanding, end of period	68.7	350.5	68.7	350.5
<u>Subordinate voting shares:</u>				
Outstanding, beginning of period	34.2	404.2	31.8	376.7
Issuance of subordinate voting shares	1.1	31.4	0.5	17.8
Conversion from multiple voting shares	—	—	1.9	9.7
Subordinate voting shares purchased and cancelled	(0.4)	(4.7)	—	—
Outstanding, end of period	34.9	430.9	34.2	404.2
Shares issued and outstanding, end of period	103.6	781.4	102.9	754.7

On January 5, 2023, the Company launched, and the Toronto Stock Exchange ("TSX") accepted the notice to launch a Normal Course Issuer Bid (the "NCIB"). Under the NCIB, the Company repurchases its subordinate voting shares on the open market at its discretion and subject to compliance with applicable securities laws and the rules of the TSX. The NCIB period commenced on January 9, 2023, and will end on the earlier of January 8, 2024, and the completion of purchases under the NCIB, of up to 2,845,904 subordinate voting shares, which represented approximately 10% of the "public float" (within the meaning of the rules of the TSX) upon launch of the NCIB.

On March 10, 2023, the Company entered into an automatic share purchase plan ("ASPP") to effect the purchase of subordinate voting shares under the NCIB for a period up to April 14, 2023. In the first quarter of 2023, the Company repurchased and cancelled 241,500 subordinate voting shares at a cost of \$6.3 million. In the second quarter of 2023, the Company repurchased and cancelled 156,200 subordinate voting shares at a cost of \$4.2 million.

On April 14, 2023, upon the expiry of the ASPP commitment period, the Company derecognized the remaining obligation for the outstanding repurchase commitment in trade payables and accrued liabilities.

The following table summarizes the Company's activities under the NCIB for the nine months ended September 30, 2023:

(US\$ millions)	Nine Months Ended Sep 30 2023
Subordinate voting shares repurchased under the NCIB for cancellation (number of shares)	397,700
Cash consideration paid	10.5
Reduction in share capital	4.7
Premium paid on repurchased and cancelled shares recorded in retained earnings	5.8

Dividends of \$4.6 million were paid on January 14, 2023 to shareholders of record at the close of business on December 30, 2022. Dividends of \$4.6 million were paid on April 14, 2023 to shareholders of record at the close of business on March 31, 2023. Dividends of \$4.7 million were paid on July 14, 2023 to shareholders of record at the close of business on June 30, 2023.

As at September 30, 2023, the Company had dividends declared and accrued of \$4.7 million at a rate of CA\$0.06 per outstanding subordinate voting share and multiple voting share of the Company. Dividends in the amount of \$4.7 million were paid on October 13, 2023 to shareholders of record at the close of business on September 29, 2023.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

22. Share capital (continued)

On November 1, 2023, the Company's Board of Directors declared a dividend of CA\$0.06 per outstanding subordinate voting share and multiple voting share, payable on January 12, 2024 to shareholders of record at the close of business on December 29, 2023.

During the three months ended September 30, 2023, the Company implemented a Dividend Reinvestment Plan (the "DRIP"). The DRIP will provide the Company's eligible shareholders with the opportunity to have all or a portion of the cash dividends declared on their subordinate voting shares or multiple voting shares automatically reinvested into additional subordinate voting shares of the Company on an ongoing basis.

(b) Share-based plans

The total expense recognized for employee services received during the nine months ended for September 30, 2023 equity-settled transactions is shown in the following table:

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Equity-settled RSUs and PSUs	5.4	4.3	15.5	12.8
Share purchase options	13.1	—	13.1	0.1
Share based compensation expense	18.5	4.3	28.6	12.9

Share based compensation expense is recorded in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income with a corresponding amount recorded in contributed surplus.

Long-Term Incentive Plan

The Company has an equity based compensation plan providing for the issuance of securities from treasury under which the grants will be made by the Company. Under the Long-Term Incentive Plan ("LTIP"), the Board may at its discretion from time to time, grant share options, share units, in the form of Restricted Stock Units ("RSUs") and Performance Share Units ("PSUs"), stock appreciation rights, restricted stock and any other equity based awards. As at September 30, 2023, the aggregate number of subordinate voting shares that may be issued pursuant to grants under the LTIP may not exceed 9,669,599 (December 31, 2022 - 9,669,599). As at September 30, 2023, 3,163,503 (December 31, 2022 - 3,656,929) subordinate voting shares remained reserved for issuance under the LTIP.

The Company settled vested LTIP grants during the nine months ended September 30, 2023 through the issuance of shares. The settlements resulted in a transfer of \$31.4 million (2022 - \$17.6 million) from contributed surplus to share capital.

Restricted Stock Units and Performance Share Units

RSUs and PSUs are granted to Eligible Persons by the Company's Board. The Board determines the Grant Value and Valuation Date for each Grant. RSUs and PSUs vest from the date of grant in accordance with the vesting schedule determined by the Board and set out in the applicable Grant Agreement for each Eligible Person.

Below is a summary of the activity related to RSUs outstanding as at September 30, 2023 and December 31, 2022.

(number of units)	Sep 30, 2023	Dec 31, 2022
Outstanding, beginning of period	1,082,423	942,931
Granted	436,364	412,676
Exercised	(505,726)	(214,456)
Forfeited	(36,092)	(58,728)
Outstanding, end of period	976,970	1,082,423

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

22. Share capital (*continued*)

Below is a summary of the activity related to PSUs outstanding as at September 30, 2023 and December 31, 2022.

(number of units)	Sep 30, 2023	Dec 31, 2022
Outstanding, beginning of period	1,006,332	1,091,862
Granted	402,801	276,410
Exercised	(645,675)	(318,179)
Forfeited	(12,337)	(43,761)
Outstanding, end of period	751,121	1,006,332

Deferred Share Units ("DSUs")

DSUs are an incentive program for Board members of the Company, whereby Board members may elect to receive remuneration in the form of DSUs, cash or combination thereof. The DSUs vest immediately upon grant but cannot be exercised until the Company's Board of Director departs the Company.

Below is a summary of the activity related to the DSUs outstanding as at September 30, 2023 and December 31, 2022.

(number of units)	Sep 30, 2023	Dec 31, 2022
Outstanding, beginning of period	187,864	157,293
Granted	54,927	55,479
Exercised	(3,689)	(24,908)
Outstanding, end of period	239,102	187,864

The fair value of the DSUs is determined to be the share price on the grant date. Share based compensation expense of \$0.4 million (2022 - \$0.4 million) and \$1.4 million (2022 - \$1.2 million) was recorded for the three and nine months ended September 30, 2023, respectively.

A mark to market gain of \$0.1 million (2022 - gain of less than \$0.1 million) and gain of less than \$0.1 million (2022 - gain of \$0.6 million) on the DSU liability is recorded for the three and nine months ended September 30, 2023, respectively.

The share based compensation and mark to market gain related to DSUs are reflected in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income. A corresponding amount was recorded in accrued liabilities.

The total share based compensation expense for the three and nine months ended September 30, 2023 of \$5.2 million and \$15.4 million, respectively, includes the equity-settled RSU and PSU share based compensation of \$5.3 million and \$15.5 million, respectively, (2022 - \$4.2 million and \$12.9 million) and the mark to market gain on DSUs of \$0.1 million and gain of less than \$0.1 million, respectively (2022 - gain of \$1.5 million and gain of \$0.7 million, respectively).

Share Purchase Options ("Options")

The Company has one share option plan for key employees, which forms part of their LTIP. Under this plan, the exercise price of each option equals the market price of the Company's shares on the date of grant and the Options have a maximum term of ten years. The Options vest ratably over a four-year vesting period.

The Company did not issue any Options in 2023 and 2022. As at September 30, 2023, 476,224 (December 31, 2022 - 483,426) Options were outstanding with a weighted average exercise price of CA\$34.78 (December 31, 2022 - CA\$34.97).

Spin Master Corp.

Condensed consolidated interim financial statements for the nine months ended September 30, 2023 and September 30, 2022

23. Earnings per share

(US\$ millions, except per share amounts)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Net Income	155.4	141.4	181.5	275.1
Weighted average number of shares (in millions)	103.6	102.9	103.4	102.9
Dilutive effect of equity ¹	3.7	3.4	1.9	3.4
Diluted weighted average number of shares (in millions)	107.3	106.3	105.3	106.3
Basic earnings per share	1.50	1.37	1.75	2.67
Diluted earnings per share	1.45	1.33	1.72	2.59

¹ The dilutive effect of equity includes equity instruments which comprise of employee stock options.

24. Net changes in non-cash working capital

(US\$ millions)	Nine Months Ended Sep 30,	
	2023	2022
Decrease (increase) in assets:		
Trade receivables, net	(147.9)	80.0
Other receivables	(9.9)	(17.4)
Inventories, net	(44.6)	(28.2)
Prepaid expenses and other assets	(16.6)	(2.7)
Assets held for sale	—	(8.9)
	(219.0)	22.8
Increase (decrease) in liabilities:		
Trade payables and accrued liabilities	95.8	(83.5)
Deferred revenue	(7.0)	(0.4)
Provisions	(1.7)	(4.7)
	87.1	(88.6)
Net changes in non-cash working capital	(131.9)	(65.8)

25. Related party transactions

In the normal course of operations, the Company engaged the services of a law firm whose managing partner is also a member of the Company's Board of Directors, which have been made on terms equivalent to those that prevail in arm's length transactions.

For the three and nine months ended September 30, 2023, 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 \$0.9 million (2022 - \$0.3 million) and \$1.5 million (2022 - \$0.8 million), respectively. As at September 30, 2023, amounts payable to the director's law firm were \$0.6 million (December 31, 2022 - \$0.4 million).

During the three months ended June 30, 2023, the Company paid incentive compensation related liabilities of \$3.7 million on behalf of three members of the Company's Board of Directors. These amounts were repaid by all three directors to the Company in the second quarter of 2023.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

26. Leases

Amounts recognized in the Condensed consolidated interim statements of financial position

Leased office buildings represented approximately 90% of the right-of-use assets with the remainder comprised of leases of distribution centres, information technology ("IT") equipment, and vehicles.

The Company has categorized classes of assets for leases of office buildings and distribution centres as "Building" and IT equipment and vehicles are as "Equipment". The weighted average lease term is 11 years (2022 - 11 years). The carrying value of right-of-use assets and depreciation by class of underlying assets are as follows:

(US\$ millions)	Building	Equipment	Right-of-use assets
January 1, 2022	63.9	1.3	65.2
Additions	12.0	0.3	12.3
Modifications	0.5	0.1	0.6
Depreciation and amortization	(11.5)	(0.7)	(12.2)
Foreign currency translation	(2.8)	(0.2)	(3.0)
December 31, 2022	62.1	0.8	62.9

(US\$ millions)	Building	Equipment	Right-of-use assets
Additions	0.6	0.2	0.8
Modifications	0.2	0.1	0.3
Depreciation and amortization	(8.4)	(0.4)	(8.8)
Foreign currency translation	(0.4)	—	(0.4)
September 30, 2023	54.1	0.7	54.8

(US\$ millions)	Lease liabilities
January 1, 2022	73.0
Additions	12.3
Modifications	0.6
Accretion	4.2
Lease payments	(15.8)
Foreign currency translation	(3.1)
December 31, 2022	71.2

(US\$ millions)	Lease liabilities
January 1, 2022	71.2
Additions	0.8
Modifications	—
Accretion	3.0
Lease payments	(11.4)
Foreign currency translation	(0.3)
September 30, 2023	63.3

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Lease liabilities, current	14.4	16.3
Lease liabilities, non-current	48.9	54.9
Total lease liabilities	63.3	71.2

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. Extension and termination options are exercisable only by the Company and not by the respective lessor.

27. Commitments for expenditures

As at September 30, 2023, the Company had minimum guarantees due to licensors of \$67.5 million (December 31, 2022 - \$48.6 million).

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

28. Business acquisitions

Acquisition of certain assets from 4D Brands International Inc

On January 17, 2023, the Company acquired certain assets from 4D Brands International Inc. and 4D Cityscape Worldwide Limited, (collectively, the "Vendors") creators of puzzle games. Management performed an analysis under IFRS 3, Business Combinations ("IFRS 3") and has determined that the assets and processes acquired comprised a business and accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition complements the Company's existing games and puzzles offering and has been reported in the Toys segment within the Activities, Games & Puzzles and Plush product category and included in the Games and Puzzles cash generating unit ("CGU") beginning from the date of acquisition.

The Company incurred \$0.2 million in transaction related costs which were included in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income.

The tables below summarize the allocation of the total of purchase consideration of \$18.9 million:

Assets acquired and liabilities recognized at the date of acquisition

(US\$ millions)	Fair value as at January 17, 2023
Assets acquired	
Intangible assets	8.5
Inventories	0.7
Prepaid expenses and other assets	0.4
Fair value of identifiable net assets acquired	9.6

Goodwill arising on acquisition

Cash consideration	14.6
Purchase price adjustment	0.2
Present value of contingent consideration	4.1
Total purchase consideration	18.9
Fair value of identifiable net assets acquired	9.6
Goodwill arising from transaction	9.3

Net cash outflow on acquisition

Cash consideration	14.6
Less: advance paid in 2022	0.5
Net cash outflow on acquisition	14.1

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, \$9.3 million of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes over 15 years.

The total purchase consideration includes \$4.1 million in deferred payments for future royalties recorded in provisions in the Condensed consolidated interim statement of financial position. The future royalties are payable to the vendor upon the achievement of key performance indicators over a five-year period. The potential undiscounted amount of all future payments that the Company could be required to make under this contingent consideration arrangement is between \$nil and \$7.4 million.

Impact of acquisition on the results of the Company

Included in the Company's financial results for the three and nine months ended September 30, 2023 is \$4.1 million and \$5.5 million, respectively in revenue attributable to the acquisition.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

28. Business acquisitions (*continued*)

Acquisition of certain assets from Innovation First International, Inc.

On February 2, 2023, the Company acquired certain assets from Innovation First, Inc., Innovation First International Inc., Innovation First Labs, Inc., Innovation First Logistics, Inc. Management performed an analysis under IFRS 3, and has determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition is an opportunity for Spin Master to enter the niche market of robotic toys and grow the *HEXBUG* brand. The acquired business has been reported in the Toys segment within the Wheels & Action product category and included in the Wheels & Action cash generating unit ("CGU") beginning from the date of acquisition.

The Company incurred \$0.2 million in transaction related costs which were included in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income.

The tables below summarize the allocation of the total of purchase consideration of \$14.6 million:

Assets acquired and liabilities recognized at the date of acquisition

(US\$ millions)	Fair value as at February 2, 2023
Assets acquired	
Inventories	2.9
Property, plant, and equipment	0.4
Intangible assets	7.7
Prepaid and other assets	0.5
Fair value of identifiable net assets acquired	11.5

Goodwill arising on acquisition

Cash consideration	12.9
Purchase price adjustment	0.3
Present value of contingent consideration	1.4
Total purchase consideration	14.6
Fair value of identifiable net assets acquired	11.5
Goodwill arising from transaction	3.1

Net cash outflow on acquisition

Cash consideration	12.9
Less: advance paid in 2022	0.5
Net cash outflow on acquisition	12.4

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, \$3.1 million of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes over 15 years.

The total purchase consideration includes \$1.4 million in deferred payments for future royalties. The contingent consideration is recorded in provisions in the Condensed consolidated interim statement of financial position. The future royalties are payable to the vendor upon the achievement of key performance indicators over a seven-year period. The potential undiscounted amount of all future payments that the Company could be required to make under this contingent consideration arrangement is between \$nil and \$3.7 million.

Impact of acquisition on the results of the Company

Included in the Company's financial results for the three and nine months ended September 30, 2023 is \$6.2 million and \$10.6 million, respectively in revenue attributable to the acquisition.

28. Business acquisitions (*continued*)

Summary of prior year acquisitions

Acquisition of certain assets from SolidRoots, LLC

On August 2, 2022, the Company acquired certain assets from SolidRoots, LLC ("SolidRoots"), a creator of family board games. Management performed an analysis under IFRS 3 and determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition complements the Company's existing board games offering and is reported in the Toys segment within the Activities, Games & Puzzles and Plush product category and included in the Games and Puzzles CGU beginning from the date of acquisition.

The purchase consideration of \$10.7 million was comprised of \$8.5 million of cash consideration and \$2.2 million of contingent consideration related to the estimated fair value of future royalties. The purchase agreement also included total deferred incentive compensation of \$1.0 million, which is contingent on the continued employment of key principals as well as certain performance metrics, over a five-year period. These payments are considered a remuneration expense and are accrued over the related service period.

Purchase consideration of \$10.7 million has been allocated as follows: \$4.4 million to intangible assets (related to the brand), \$2.0 million to inventories and \$0.1 million to prepaid expenses and other assets, with the remainder of \$4.2 million allocated to goodwill.

Acquisition of the remaining shares of Nørdlight Games AB

On August 24, 2021, the Company acquired 18.53% of the shares in Nørdlight Games AB ("Nørdlight"), a company that creates and develops digital games, based in Sweden. On August 8, 2022, the Company acquired the remaining 81.47% of the shares of Nørdlight, resulting in ownership and control of 100% of the voting shares in Nørdlight. This investment was classified in 2021 as an equity instrument measured at FVTOCI. Management performed an analysis under IFRS 3 and determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. The acquisition has been reported under the Digital Games segment and CGU beginning from the date of acquisition.

The Company paid cash consideration of \$2.5 million. The total purchase consideration has been allocated to the identifiable assets of \$0.5 million, and liabilities of \$0.2 million, with the remainder \$2.9 million allocated to goodwill.

The purchase agreement also includes contingent consideration of \$4.9 million which is payable on achieving certain performance metrics and has been allocated a fair value of \$nil in the total purchase consideration.

Assets acquired and liabilities recognized at the date of acquisition

	SolidRoots, LLC	Nørdlight Games AB
(US\$ millions)	Fair value as at August 2, 2022	Fair value as at August 8, 2022
Assets acquired		
Cash	—	0.4
Other receivables	—	0.1
Intangible assets	4.4	—
Inventories	2.0	—
Prepaid expenses and other assets	0.1	—
	6.5	0.5
Liabilities assumed		
Trade payables and accrued liabilities	—	0.2
Fair value of identifiable net assets acquired	6.5	0.3

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

28. Business acquisitions (continued)

Goodwill arising on acquisition

	SolidRoots, LLC	Nørdlight Games AB
Cash consideration	8.5	2.5
Present value of contingent consideration	2.2	—
Fair value of previously held equity interest	—	0.7
Total purchase consideration	10.7	3.2
Fair value of identifiable net assets acquired	6.5	0.3
Goodwill arising from transaction	4.2	2.9

Net cash outflow on acquisition

	SolidRoots, LLC	Nørdlight Games AB
Cash consideration	8.5	2.5
Less: Cash balance acquired	—	0.4
Net cash outflow on acquisition	8.5	2.1

29. Financial instruments and risk management

Foreign currency risk

Due to the structure of the Company's international operations, it is exposed to foreign currency risk driven by fluctuations in exchange rates. Risk arises because the value of monetary assets, liabilities, revenues and expenditures arising from transactions denominated in foreign currencies may vary due to changes in exchange rates ("transaction exposures") and because the non-US dollar denominated financial statements of the Company's subsidiaries may vary on translation into the US dollar presentation currency ("translation exposures"). These exposures could impact the Company's earnings and cash flows.

The Company periodically enters into derivative financial instruments such as foreign exchange forward contracts to manage its foreign currency risk on cash flows denominated in currencies other than the US dollar.

As at September 30, 2023, the Company is committed under outstanding foreign exchange contracts representing a total net sell commitment of \$13.5 million (December 31, 2022 - net sell commitment of \$20.3 million). These foreign exchange contracts have maturity dates varying from October 2023 to September 2024. For the nine months ended September 30, 2023, realized losses on the Company's matured foreign exchange contracts were \$6.7 million (2022 - realized gains of \$1.3 million) and are included in the Condensed consolidated interim statements of earnings and comprehensive income.

As at September 30, 2023 (in millions)	Notional value: foreign currency (Sell)/Buy	Notional value: US\$	Unrealized gain (loss): US\$
Foreign exchange contracts			
Buy US\$	(68.5 EUR)	74.3	1.1
Buy US\$	(19.0 GBP)	23.1	(0.1)
Buy US\$	(311.5 MXN)	15.7	(1.5)
Buy US\$	(10.1 AUD)	6.9	0.3
Sell US\$	175.5 CAD	(130.8)	(1.2)
Sell US\$	386.4 JPY	(2.7)	(0.1)
Total		(13.5)	(1.5)

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

29. Financial instruments and risk management (continued)

As at December 31, 2022 (in millions)	Notional value: foreign currency (Sell)/Buy	Notional value: US\$	Unrealized (loss) gain: US\$
Foreign exchange contracts			
Buy US\$	(60.5) EUR	66.2	0.9
Buy US\$	(17.5) GBP	22.0	0.9
Buy US\$	(655.0) MXN	31.1	(1.9)
Sell US\$	186.6 CAD	(142.6)	(4.4)
Buy US\$	(4.5) AUD	3.0	(0.1)
Total		(20.3)	(4.6)

Fair value measurements

The following table presents the fair value of financial assets and financial liabilities. The carrying values of the Company's financial instruments approximate their fair values with the exception of foreign exchange forward contracts, Investment in a limited partnership and Minority interest and other investments which are recorded at fair value.

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Financial assets		
Cash and cash equivalents	650.7	644.3
Trade receivables, net	442.8	311.0
Other receivables	59.3	49.5
Other assets:		
Minority interest and other investments	10.8	8.8
Investment in a limited partnership	3.6	3.9
Investment tax credits - non-current portion	4.1	3.6
Unrealized foreign exchange gain	1.5	1.7
Financial assets	1,172.8	1,022.8
Financial liabilities		
Trade payables and accrued liabilities	433.3	339.4
Financial liabilities	433.3	339.4

With the exception of foreign exchange forward contracts, Investment in a limited partnership and Minority interest and other investments described below, all other financial instruments are categorized within Level 1 of the fair value hierarchy.

The fair value of foreign exchange forward contracts at September 30, 2023 resulted in an unrealized gain of \$1.5 million, which is recorded in Other assets (December 31, 2022 - \$1.7 million) and an unrealized loss of \$2.9 million recorded in accrued liabilities (December 31, 2022 - \$6.3 million). These fair values are categorized within Level 2 of the fair value hierarchy. The fair values of over-the-counter derivative financial instruments are based on broker or observable market rates. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest and exchange rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument for the Company and counterparty when appropriate. The fair value of foreign exchange contracts is estimated based on forward exchange rates observable at the end of the reporting period and contract forward rates. Realized and unrealized gains and losses on derivative financial instruments may be offset by realized and unrealized losses and gains on the underlying exposures being hedged and are recorded in earnings as they occur.

The fair value of the investment in a limited partnership as at September 30, 2023 is recorded in Other assets at \$3.6 million (December 31, 2022 - \$3.9 million) with \$nil and \$0.3 million net unrealized gain on investment (2022 - \$nil and \$0.1 million) recognized in Other expense, net in the Condensed consolidated interim statements of earnings and comprehensive income for the three and nine months, ended September 30, 2023 respectively. For the three and nine months ended September 30, 2023, the Company recognized a \$0.2 million net realized loss on investment (2022 - \$nil) in Other expense, net.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

29. Financial instruments and risk management (*continued*)

This fair value is categorized within Level 3 of the fair value hierarchy. The fair value of the investment in a limited partnership is estimated using various valuations techniques through the partnership based on the type of investment held by the fund. The quantitative unobservable inputs used in the fair value measurement are not developed by the Company and include assumptions regarding long-term revenue growth rates and discount rates, among others.

From inception, the Company has paid \$2.9 million and is obligated to pay the remaining \$0.1 million upon receiving capital calls over the remaining term of the limited partnership agreement. The investment in a limited partnership is held for medium to long-term strategic purposes.

The fair value of the Minority interest and other investments recorded in other assets are as follows:

	Sep 30,	Dec 31,
(US\$ millions)	2023	2022
Minority interest and other investments classified as FVTOCI	3.0	3.0
Minority interest and other investments classified as FVTPL	7.8	5.8
Minority interest and other investments	10.8	8.8

For the three and nine months ended September 30, 2023, there were no gains or losses recognized for the Minority interest and other investments classified as FVTPL and FVTOCI in the Condensed consolidated interim statements of earnings and comprehensive income (2022 - loss of \$0.5 million was recognized within Other expense, net).

These investments are categorized within Level 3 of the fair value hierarchy. The fair value of these investments is estimated using various valuation techniques. The quantitative unobservable inputs used in the fair value measurement are not developed by the Company and include assumptions regarding long-term revenue growth rates and discount rates, among others.

30. Segment information

Spin Master is a global children's entertainment company with a portfolio that includes children's products, brands, and entertainment content spanning toys, games, licensed products, film and television programming and digital games.

The Company has three reportable operating segments, which are as follows:

- (i) Toys
- (ii) Entertainment
- (iii) Digital Games

The Toys segment engages in the creation, design, manufacturing, licensing, and marketing of toys, games, and products around the world. The Entertainment segment engages in the creation and production of multi-platform content, stories and characters in original shows, short-form series and films. The Digital Games segment engages in the creation of digital games which include subscription services. 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 interest and other investments.

The CODM measures total segment performance based on Adjusted EBITDA, as reported internally to management. The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 2.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

30. Segment information (continued)

Segment revenue and operating results

The Company's results from operations by reportable operating segment for the three months ended September 30, 2023 and September 30, 2022 are as follows:

(US\$ millions)	Q3 2023				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	601.5	63.4	45.3	—	710.2
Operating Income	149.0	23.3	13.6	11.3	197.2
Adjustments:					
Restructuring and other related costs	0.6	0.1	0.1	—	0.8
Foreign exchange gain	—	—	—	(19.2)	(19.2)
Share based compensation	3.7	0.4	0.7	0.3	5.1
Impairment of intangible assets	—	0.2	—	—	0.2
Legal settlement recovery	—	—	—	(0.7)	(0.7)
Acquisition related deferred incentive compensation	0.7	—	1.1	—	1.8
Net realized gain on investment	—	—	—	(0.2)	(0.2)
Transaction costs	—	—	—	5.2	5.2
Depreciation and amortization	12.8	29.8	2.1	—	44.7
Adjusted EBITDA	166.8	53.8	17.6	(3.3)	234.9

(US\$ millions)	Q3 2023				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	7.3	13.1	5.0	—	25.4

(US\$ millions)	Q3 2022				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	552.4	37.0	34.6	—	624.0
Operating Income	109.4	28.9	8.2	40.9	187.4
Adjustments:					
Restructuring and other related costs	(0.1)	—	0.1	—	—
Foreign exchange gain	—	—	—	(43.5)	(43.5)
Share based compensation	3.0	0.3	0.5	0.5	4.3
Impairment of property, plant and equipment	1.0	—	—	—	1.0
Acquisition related deferred incentive compensation	1.6	—	1.2	—	2.8
Acquisition related deferred consideration	0.4	—	—	(0.9)	(0.5)
Transaction costs	—	—	—	0.3	0.3
Depreciation and amortization	11.6	2.5	1.7	—	15.8
Adjusted EBITDA	126.9	31.7	11.7	(2.7)	167.6

(US\$ millions)	Q3 2022				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	7.9	21.3	2.9	—	32.1

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

30. Segment information (*continued*)

The Company's results from operations by reportable operating segment for the nine months ended September 30, 2023 and September 30, 2022 are as follows:

(US\$ millions)		Nine Months Ended Sep 30, 2023			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	1,134.1	134.9	133.3	—	1,402.3
Operating (Loss) Income	131.0	68.3	39.4	(13.2)	225.5
Adjustments:					
Restructuring and other related costs	13.0	0.2	1.1	—	14.3
Foreign exchange gain	—	—	—	(3.5)	(3.5)
Share based compensation	10.9	1.1	2.2	1.1	15.3
Impairment of goodwill	1.0	—	—	—	1.0
Impairment of property, plant and equipment	0.2	—	—	—	0.2
Impairment of intangible assets	—	0.6	0.7	1.1	2.4
Legal settlement recovery	—	—	—	(0.5)	(0.5)
Acquisition related deferred incentive compensation	2.1	—	3.9	—	6.0
Net unrealized gain on investment	—	—	—	(0.3)	(0.3)
Net realized gain on investment	—	—	—	(0.1)	(0.1)
Acquisition related deferred consideration	(2.1)	—	—	—	(2.1)
Transaction costs	—	—	—	7.3	7.3
Depreciation and amortization	37.0	45.2	6.0	0.2	88.4
Adjusted EBITDA	193.1	115.4	53.3	(7.9)	353.9

(US\$ millions)		Nine Months Ended Sep 30, 2023			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	27.4	42.4	14.0	—	83.8

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

30. Segment information (continued)

(US\$ millions)		Nine Months Ended Sep 30, 2022			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	1,340.9	87.6	126.0	—	1,554.5
Operating Income	213.4	57.6	36.4	59.9	367.3
Adjustments:					
Restructuring and other related costs	4.8	0.1	0.2	—	5.1
Foreign exchange gain	—	—	—	(66.2)	(66.2)
Share based compensation	9.1	0.9	1.6	1.3	12.9
Impairment of property, plant and equipment	1.0	—	—	—	1.0
Legal settlement recovery	—	—	—	(2.1)	(2.1)
Acquisition related deferred incentive compensation	4.7	—	3.4	—	8.1
Net unrealized gain on investment	—	—	—	(0.1)	(0.1)
Net realized gain on investment	—	—	—	(0.1)	(0.1)
Acquisition related deferred consideration	0.4	—	—	(0.9)	(0.5)
Fair value loss on Venture investments	—	—	—	0.5	0.5
Transaction costs	—	—	—	0.8	0.8
Depreciation and amortization	35.6	10.0	4.7	—	50.3
Adjusted EBITDA	269.0	68.6	46.3	(6.9)	377.0

(US\$ millions)		Nine Months Ended Sep 30, 2022			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	24.9	43.0	8.2	—	76.1

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

30. Segment information (*continued*)

Revenue reported by segment above represents revenue generated from external customers. There were no inter-segment revenue in any year.

The following table provides a reconciliation of the Company's consolidated Adjusted EBITDA to Income before income tax expense for the three and nine months ended September 30, 2023 and September 30, 2022:

(US\$ millions)	Nine Months Ended Sep 30			
	Q3 2023	Q3 2022	2023	2022
Revenue from reportable segments	710.2	624.0	1,402.3	1,554.5
Adjusted EBITDA	234.9	167.6	353.9	377.0
Adjusting Items:				
Depreciation and amortization	(44.7)	(15.8)	(88.4)	(50.3)
Restructuring and other related costs	(0.8)	—	(14.3)	(5.1)
Foreign exchange gain	19.2	43.5	3.5	66.2
Share based compensation	(5.1)	(4.3)	(15.3)	(12.9)
Impairment of goodwill	—	—	(1.0)	—
Impairment of property, plant and equipment	—	(1.0)	(0.2)	(1.0)
Impairment of intangible assets	(0.2)	—	(2.4)	—
Legal settlement recovery	0.7	—	0.5	2.1
Acquisition related deferred incentive compensation	(1.8)	(2.8)	(6.0)	(8.1)
Net unrealized gain on investment	—	—	0.3	0.1
Net realized gain on investment	0.2	—	0.1	0.1
Loss on Minority interest and other investments	—	—	—	(0.5)
Acquisition related contingent consideration	—	0.5	2.1	0.5
Transaction costs	(5.2)	(0.3)	(7.3)	(0.8)
Operating Income	197.2	187.4	225.5	367.3
Add (Deduct):				
Interest income	7.2	3.5	20.4	5.2
Interest expense	(4.8)	(3.9)	(11.2)	(9.8)
Income before income tax expense	199.6	187.0	234.7	362.7

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

30. Segment information (continued)

Revenue from major product categories

Spin Master's Toys segment is organized into four major product categories as follows:

- (i) Preschool and Dolls & Interactive
- (ii) Activities, Games & Puzzles and Plush
- (iii) Wheels & Action
- (iv) Outdoor

The Company's revenues based on its major product categories are as follows:

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Preschool and Dolls & Interactive	347.7	284.7	613.0	665.3
Activities, Games & Puzzles and Plush	172.4	175.6	326.9	401.1
Wheels & Action	151.2	145.3	296.0	360.8
Outdoor	7.3	12.1	49.0	72.4
Toy gross product sales¹	678.6	617.7	1,284.9	1,499.6
Sales allowances	(77.1)	(65.3)	(150.8)	(158.7)
Toy revenue	601.5	552.4	1,134.1	1,340.9
Entertainment revenue	63.4	37.0	134.9	87.6
Digital Games revenue	45.3	34.6	133.3	126.0
Revenue	710.2	624.0	1,402.3	1,554.5

¹ Toy gross product sales represent sales of the Company's products to customers, excluding sales allowances.

Geographical information

Revenue by geographical area is based on the location of the customers and non-current assets are based on geographic location of the entity which holds the assets. The North American geographic area is comprised of the United States and Canada. The European geographic area is comprised of the United Kingdom, France, Italy, the Netherlands, Germany, Austria, Switzerland, Belgium, Luxembourg, Slovakia, Hungary, Romania, Czech Republic, Poland, Turkey, Greece and Spain. The Rest of World is primarily comprised of Hong Kong, China, Vietnam, India, Australia, New Zealand, Japan and Mexico, and all other areas of the world serviced by the Company's third party distribution network. Entertainment and Digital Games revenue are tracked on a global basis and are presented as such in the table below.

The Company's revenues are derived from the following geographical areas:

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
North America	397.4	350.4	741.5	929.1
Europe	181.4	180.5	350.2	380.5
Rest of World	99.8	86.8	193.2	190.0
Toy gross product sales	678.6	617.7	1,284.9	1,499.6
Sales allowances	(77.1)	(65.3)	(150.8)	(158.7)
Toy revenue	601.5	552.4	1,134.1	1,340.9
Entertainment revenue	63.4	37.0	134.9	87.6
Digital Games revenue	45.3	34.6	133.3	126.0
Revenue	710.2	624.0	1,402.3	1,554.5

Toy gross product sales for North America include amounts attributable to the United States of \$363.7 million (2022 - \$314.3 million) and \$682.1 million (2022 - \$849.3 million) and Canada of \$30.6 million (2022 - \$36.1 million) and \$56.3 million (2022 - \$79.8 million) for the three and nine months ended September 30, 2023, respectively.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022

30. Segment information (*continued*)

Non-current assets by major geographic region are detailed as follows:

(US\$ millions)	Sep 30, 2023	Dec 31, 2022
Non-current assets		
North America	432.2	416.7
Europe	80.8	79.0
Rest of World	21.8	18.7
Non-current assets	534.8	514.4
Other	158.1	158.5
Total non-current assets	692.9	672.9

Other includes non-current assets not directly attributable to a specific geographic area.

Non-current assets for North America include assets attributable to Canada of \$168.0 million as at September 30, 2023 (December 31, 2022 - \$177.1 million).

Major customers

Sales to the Company's three largest customers accounted for 53.6% (2022 - 49.4%) and 51.6% (2022 - 53.1%) of Toy gross product sales for the three and nine months ended September 30, 2023, respectively. The Toys segment sells products to each of the Company's three largest customers. Other than the top three customers, which have remained the same as compared to the comparative period, no other single customer contributed 10% or more to Toy gross product sales for the three and nine months ended September 30, 2023 (2022 - \$nil).

(US\$ millions)	Q3 2023	Q3 2022	Nine Months Ended Sep 30,	
			2023	2022
Toy gross product sales				
Customer 1	167.8	136.8	276.4	329.2
Customer 2	102.0	121.3	196.6	270.6
Customer 3	93.8	47.3	190.6	196.3
Total	363.6	305.4	663.6	796.1

31. Subsequent events

Subsequent to September 30, 2023, the Company announced that it had reached a definitive agreement to acquire U.S.-based Melissa & Doug for \$950 million in cash. Additional contingent consideration of up to \$150 million is subject to achieving certain financial targets for 2024 and 2025. Spin Master plans to finance the \$950 million purchase price with approximately \$450 million cash and \$500 million in debt financing. The acquisition is expected to close early in the first quarter of 2024 subject to customary regulatory approval and closing conditions.

Melissa & Doug is a well-recognized and trusted brand in early childhood play. The acquisition strengthens Spin Master's position as a leader in the children's entertainment industry and will bring complementary capabilities by adding Melissa & Doug's high-quality offerings of open-ended, creative, and developmental wooden toys and further diversify its portfolio across new channels and formats.