UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2018

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-05647

MATTEL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-1567322**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
333 Continental Blvd. El Segundo, CA	**90245-5012**
(Address of principal executive offices)	**(Zip Code)**

(310) 252-2000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report):
NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares outstanding of registrant's common stock, $1.00 par value, as of July 13, 2018:

344,153,031 shares

MATTEL, INC. AND SUBSIDIARIES

(Cautionary Statement Under the Private Securities Litigation Reform Act of 1995)

Mattel is including this Cautionary Statement to caution investors and qualify for the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") for forward-looking statements. This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Act. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. The use of words such as "anticipates," "expects," "intends," "plans," "confident that" and "believes," among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic and other information, and are subject to a number of significant risks and uncertainties. A variety of factors, many of which are beyond our control, could cause actual future results to differ materially from those projected in the forward-looking statements. Specific factors that might cause such a difference include, but are not limited to: (i) Mattel’s ability to design, develop, produce, manufacture, source and ship products on a timely and cost-effective basis, as well as interest in and purchase of those products by retail customers and consumers in quantities and at prices that will be sufficient to profitably recover Mattel’s costs; (ii) downturns in economic conditions affecting Mattel’s markets which can negatively impact retail customers and consumers, and which can result in lower employment levels, lower consumer disposable income and spending, including lower spending on purchases of Mattel’s products; (iii) other factors which can lower discretionary consumer spending, such as higher costs for fuel and food, drops in the value of homes or other consumer assets, and high levels of consumer debt; (iv) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (v) other economic and public health conditions or regulatory changes in the markets in which Mattel and its customers and suppliers operate, which could create delays or increase Mattel’s costs, such as higher commodity prices, labor costs or transportation costs, or outbreaks of disease; (vi) currency fluctuations, including movements in foreign exchange rates, which can lower Mattel’s net revenues and earnings, and significantly impact Mattel’s costs; (vii) the concentration of Mattel’s customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel’s customers, including the bankruptcy and liquidation of Toys "R" Us, Inc., or changes in their purchasing or selling patterns; (viii) the future willingness of licensors of entertainment properties for which Mattel currently has licenses or would seek to have licenses in the future to license those products to Mattel; (ix) the inventory policies of Mattel’s retail customers, including retailers’ potential decisions to lower their inventories, even if it results in lost sales, as well as the concentration of Mattel’s revenues in the second half of the year, which coupled with reliance by retailers on quick response inventory management techniques increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules; (x) the increased costs of developing more sophisticated digital and smart technology products, and the corresponding supply chain and design challenges associated with such products; (xi) work disruptions, which may impact Mattel’s ability to manufacture or deliver product in a timely and cost-effective manner; (xii) the bankruptcy and liquidation of Toys "R" Us, Inc. or other of Mattel’s significant retailers, or the general lack of success of one of Mattel’s significant retailers which could negatively impact Mattel’s revenues or bad debt exposure; (xiii) the impact of competition on revenues, margins and other aspects of Mattel’s business, including the ability to offer products which consumers choose to buy instead of competitive products, the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees; (xiv) the risk of product recalls or product liability suits and costs associated with product safety regulations; (xv) changes in laws or regulations in the United States and/or in other major markets in which Mattel operates, including, without limitation, with respect to taxes, tariffs, trade policies, or product safety, which may increase Mattel’s product costs and other costs of doing business, and reduce Mattel’s earnings, (xvi) failure to realize the planned benefits from any investments or acquisitions made by Mattel, (xvii) the impact of other market conditions, third party actions or approvals and competition which could reduce demand for Mattel’s products or delay or increase the cost of implementation of Mattel’s programs or alter Mattel’s actions and reduce actual results; (xviii) changes in financing markets or the inability of Mattel to obtain financing on attractive terms (xix) the impact of litigation or arbitration decisions or settlement actions; and (xx) other risks and uncertainties detailed in Part 1, Item 1A "Risk Factors" in Mattel’s 2017 Annual Report on Form 10-K. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2018	June 30, 2017	December 31, 2017
	(Unaudited; in thousands, except share data)		
ASSETS			
Current Assets			
Cash and equivalents	$ 228,606	$ 275,395	$ 1,079,221
Accounts receivable, net	780,064	917,652	1,128,610
Inventories	715,288	935,933	600,704
Prepaid expenses and other current assets	327,297	373,648	303,053
Total current assets	2,051,255	2,502,628	3,111,588
Noncurrent Assets			
Property, plant, and equipment, net	719,747	807,796	785,285
Goodwill	1,390,076	1,394,464	1,396,669
Other noncurrent assets	892,364	1,462,994	944,961
Total Assets	$ 5,053,442	$ 6,167,882	$ 6,238,503
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Short-term borrowings	$ 80,000	$ 506,769	$ —
Current portion of long-term debt	—	250,000	250,000
Accounts payable	428,741	549,319	572,166
Accrued liabilities	585,585	452,032	792,139
Income taxes payable	3,119	4,380	9,498
Total current liabilities	1,097,445	1,762,500	1,623,803
Noncurrent Liabilities			
Long-term debt	2,848,177	1,885,693	2,873,119
Other noncurrent liabilities	443,849	452,284	484,126
Total noncurrent liabilities	3,292,026	2,337,977	3,357,245
Stockholders' Equity			
Common stock $1.00 par value, 1.0 billion shares authorized; 441.4 million shares issued	441,369	441,369	441,369
Additional paid-in capital	1,820,432	1,809,843	1,808,391
Treasury stock at cost: 97.2 million shares, 98.7 million shares, and 97.6 million shares, respectively	(2,381,777)	(2,416,804)	(2,389,877)
Retained earnings	1,608,025	3,114,931	2,179,358
Accumulated other comprehensive loss	(824,078)	(881,934)	(781,786)
Total stockholders' equity	663,971	2,067,405	1,257,455
Total Liabilities and Stockholders' Equity	$ 5,053,442	$ 6,167,882	$ 6,238,503

The accompanying notes are an integral part of these financial statements.

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Unaudited; in thousands, except per share amounts)			
Net Sales	$ 840,748	$ 974,477	$ 1,549,120	$ 1,710,095
Cost of sales	587,546	574,712	1,077,045	1,031,552
Gross Profit	253,202	399,765	472,075	678,543
Advertising and promotion expenses	82,393	95,499	153,230	169,061
Other selling and administrative expenses	360,000	353,296	784,617	684,125
Operating Loss	(189,191)	(49,030)	(465,772)	(174,643)
Interest expense	43,467	21,881	84,546	43,911
Interest (income)	(1,699)	(2,296)	(4,846)	(4,762)
Other non-operating expense, net	3,063	5,128	2,455	5,622
Loss Before Income Taxes	(234,022)	(73,743)	(547,927)	(219,414)
Provision (benefit) for income taxes	6,909	(17,668)	4,257	(50,108)
Net Loss	$ (240,931)	$ (56,075)	$ (552,184)	$ (169,306)
Net Loss Per Common Share—Basic	$ (0.70)	$ (0.16)	$ (1.60)	$ (0.49)
Weighted average number of common shares	344,584	343,116	344,507	343,020
Net Loss Per Common Share—Diluted	$ (0.70)	$ (0.16)	$ (1.60)	$ (0.49)
Weighted average number of common and potential common shares	344,584	343,116	344,507	343,020
Dividends Declared Per Common Share	$ —	$ 0.38	$ —	$ 0.76

The accompanying notes are an integral part of these financial statements.

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Unaudited; in thousands)			
Net Loss	$ (240,931)	$ (56,075)	$ (552,184)	$ (169,306)
Other Comprehensive Income (Loss), Net of Tax:				
Currency translation adjustments	(105,727)	51,067	(63,738)	105,336
Defined benefit pension plan adjustments	1,069	1,024	2,685	2,079
Net unrealized losses on available-for-sale security	(2,709)	(2,423)	(2,789)	(3,737)
Net unrealized gains (losses) on derivative instruments:				
Unrealized holding gains (losses)	17,652	(27,406)	12,333	(39,990)
Reclassification adjustment for realized losses (gains) included in net loss	4,786	(364)	9,217	(2,593)
	22,438	(27,770)	21,550	(42,583)
Other Comprehensive (Loss) Income, Net of Tax	(84,929)	21,898	(42,292)	61,095
Comprehensive Loss	$ (325,860)	$ (34,177)	$ (594,476)	$ (108,211)

The accompanying notes are an integral part of these financial statements.

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
	(Unaudited; in thousands)	
Cash Flows From Operating Activities:		
Net loss	$ (552,184)	$ (169,306)
Adjustments to reconcile net loss to net cash flows used for operating activities:		
Depreciation	117,440	118,221
Amortization	19,730	10,702
Asset impairments	11,913	—
Deferred income taxes	(827)	(70,682)
Share-based compensation	22,417	30,553
Bad debt expense	52,935	9,934
Inventory obsolescence	45,394	22,001
Increase (decrease) from changes in assets and liabilities, net of acquired assets and liabilities:		
Accounts receivable	274,306	214,655
Inventories	(184,950)	(324,901)
Prepaid expenses and other current assets	(27,784)	(38,690)
Accounts payable, accrued liabilities, and income taxes payable	(328,998)	(298,184)
Other, net	(6,001)	(53,398)
Net cash flows used for operating activities	(556,609)	(549,095)
Cash Flows From Investing Activities:		
Purchases of tools, dies, and molds	(36,793)	(70,858)
Purchases of other property, plant, and equipment	(41,498)	(77,987)
(Payments) proceeds from foreign currency forward exchange contracts	(12,577)	42,784
Other, net	5,685	(162)
Net cash flows used for investing activities	(85,183)	(106,223)
Cash Flows From Financing Activities:		
Payments of short-term borrowings, net	—	(372,168)
Proceeds from short-term borrowings, net	80,000	686,769
Payments of long-term borrowings	(750,000)	—
Proceeds from long-term borrowings, net	475,550	—
Payments of dividends on common stock	—	(260,427)
Proceeds from exercise of stock options	—	1,714
Other, net	(3,548)	(4,406)
Net cash flows (used for) provided by financing activities	(197,998)	51,482
Effect of Currency Exchange Rate Changes on Cash	(10,825)	9,700
Decrease in Cash and Equivalents	(850,615)	(594,136)
Cash and Equivalents at Beginning of Period	1,079,221	869,531
Cash and Equivalents at End of Period	$ 228,606	$ 275,395

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments, consisting of only those of a normal recurring nature, considered necessary for a fair statement of the financial position and interim results of Mattel, Inc. and its subsidiaries ("Mattel") as of and for the periods presented have been included. As Mattel's business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. Prior period amounts have been reclassified to conform to the current period presentation, as further discussed in "Note 16 to the Consolidated Financial Statements—Employee Benefit Plans" and "Note 23 to the Consolidated Financial Statements—Segment Information."

The year-end balance sheet data was derived from audited financial statements; however, the accompanying interim notes to the consolidated financial statements do not include all the annual disclosures required by GAAP.

The financial information included herein should be read in conjunction with Mattel's consolidated financial statements and related notes in its 2017 Annual Report on Form 10-K.

2. Accounts Receivable

Accounts receivable are net of allowances for doubtful accounts of $21.0 million, $23.0 million, and $25.4 million as of June 30, 2018, June 30, 2017, and December 31, 2017, respectively. As a result of the Toys "R" Us liquidation in the first quarter of 2018, Mattel reversed net sales which occurred during the first quarter of 2018 and related accounts receivable of approximately $30 million. In addition, for the three and six months ended June 30, 2018, Mattel recorded bad debt expense, net of approximately $(7) million and $50 million, respectively, related to outstanding Toys "R" Us receivables as of December 31, 2017.

3. Inventories

Inventories include the following:

	June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)	
Raw materials and work in process	$ 130,093	$ 149,421	$ 101,690
Finished goods	585,195	786,512	499,014
	$ 715,288	$ 935,933	$ 600,704

4. Property, Plant, and Equipment

Property, plant, and equipment, net includes the following:

	June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)	
Land	$ 25,030	$ 25,195	$ 25,114
Buildings	296,672	298,665	303,495
Machinery and equipment	887,496	868,931	902,861
Software	385,284	367,981	384,568
Tools, dies, and molds	867,997	911,264	887,442
Capital leases	23,927	23,970	24,279
Leasehold improvements	241,275	280,640	213,238
	2,727,681	2,776,646	2,740,997
Less: accumulated depreciation	(2,007,934)	(1,968,850)	(1,955,712)
	$ 719,747	$ 807,796	$ 785,285

5. Goodwill

Goodwill is allocated to various reporting units, which are at the operating segment level, for purposes of evaluating whether goodwill is impaired. Mattel's reporting units are: (i) North America, (ii) International, and (iii) American Girl. Mattel tests its goodwill for impairment annually in the third quarter and whenever events or changes in circumstances indicate that the carrying value of a reporting unit may exceed its fair value.

The change in the carrying amount of goodwill by operating segment for the six months ended June 30, 2018 is shown below. Brand-specific goodwill held by foreign subsidiaries is allocated to the North America and American Girl operating segments selling those brands, thereby causing a foreign currency translation impact for these operating segments. In the first quarter of 2018, Mattel sold certain assets related to its Corolle business and wrote off approximately $4 million of goodwill.

	December 31, 2017	Dispositions	Currency Exchange Rate Impact	June 30, 2018
		(In thousands)		
North America	$ 733,034	$ —	$ (752)	$ 732,282
International	452,152	—	(1,929)	450,223
American Girl	211,483	(4,018)	106	207,571
	$ 1,396,669	$ (4,018)	$ (2,575)	$ 1,390,076

6. Other Noncurrent Assets

Other noncurrent assets include the following:

	June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)	
Identifiable intangibles (net of amortization of $179.5 million, $162.3 million, and $168.8 million, respectively)	$ 612,234	$ 193,793	$ 639,203
Deferred income taxes	74,992	580,113	76,750
Nonamortizable identifiable intangibles	—	467,038	—
Other	205,138	222,050	229,008
	$ 892,364	$ 1,462,994	$ 944,961

Mattel tests nonamortizable intangible assets, including trademarks and trade names, for impairment annually in the third quarter and whenever events or changes in circumstances indicate that the carrying values may exceed the fair values. During the third quarter of 2017, Mattel discontinued the use of a trademark. In the fourth quarter of 2017, Mattel concluded that a triggering event had occurred related to its remaining nonamortizable intangible asset and determined that it was not impaired, but that the intangible asset was no longer nonamortizable.

Mattel also tests its amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. In the second quarter of 2018, Mattel discontinued the use of certain brands and products, which resulted in $4.3 million of asset impairments. Mattel's remaining amortizable intangible assets were not impaired during the three and six months ended June 30, 2018.

During the third quarter of 2017, Mattel established a valuation allowance on certain deferred tax assets, the benefits of which Mattel believes will likely not be realized. Refer to Part II, Item 8 "Financial Statements and Supplementary Data—Note 14 to the Consolidated Financial Statements—Income Taxes" in its 2017 Annual Report on Form 10-K for additional information.

7. Accrued Liabilities

Accrued liabilities include the following:

	June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)	
Advertising and promotion	$ 45,864	$ 24,067	$ 165,572
Royalties	63,453	67,956	111,669
Taxes other than income taxes	27,819	35,046	74,626
Other	448,449	324,963	440,272
	$ 585,585	$ 452,032	$ 792,139

8. Seasonal Financing

On December 20, 2017, Mattel, Inc. and certain of its domestic subsidiaries ("U.S. Borrowers") and a Canadian subsidiary ("Canadian Borrower") entered into a syndicated facility agreement (as amended, the "Credit Agreement"), as borrowers thereunder, with Bank of America, N.A., as global administrative agent, collateral agent, Australian security trustee, and lender, and the other lenders and financial institutions party thereto, providing for $1.60 billion in aggregate principal amount of senior secured revolving credit facilities (the "senior secured revolving credit facilities"), consisting of an asset based lending facility, subject to borrowing base capacity, and a revolving credit facility secured by certain fixed assets and intellectual property of the U.S. Borrowers and certain equity interests in various subsidiaries of Mattel, subject to borrowing base capacity (the "Fixed Asset & IP Facility"). As of June 30, 2018, Mattel had outstanding borrowings under the senior secured revolving credit facilities of $80.0 million. There were no amounts outstanding as of December 31, 2017.

On March 28, 2018 and March 29, 2018, Mattel, Inc. and certain of its subsidiaries entered into various foreign joinder agreements to the Credit Agreement. The foreign joinder agreements join the relevant foreign borrowers and foreign lenders to the Credit Agreement, as contemplated therein, making portions of the senior secured revolving credit facilities available to other subsidiaries of Mattel, Inc. such that, together with the initial entry into the Credit Agreement, the senior secured revolving credit facilities are available to certain subsidiaries of Mattel, Inc., in their capacity as borrowers, located in the following jurisdictions: (i) the United States (the "U.S. Borrowers"), (ii) Canada (the "Canadian Borrower"), (iii) Germany, the Netherlands and the United Kingdom (the "European (GNU) Borrowers"), (iv) Spain (the "Spanish Borrower"), (v) France (the "French Borrower"), and (vi) Australia (the "Australian Borrower"), in each case through subfacilities in each such jurisdiction (each, a "Subfacility"). Through the initial Credit Agreement and the foreign joinder agreements, certain additional domestic and foreign subsidiaries of Mattel, Inc. are also parties to the Credit Agreement as guarantors of various obligations of the borrowers under the Credit Agreement as further described below.

On June 1, 2018, Mattel, Inc. entered into an amendment (the "Amendment") to the Credit Agreement. The Amendment amends certain terms of the Credit Agreement, including, but not limited to, the extension of the maturity date of the Credit Agreement (and the facilities and lending commitments thereunder) from December 20, 2020 to June 1, 2021.

Borrowings under the senior secured revolving credit facilities (i) are limited by jurisdiction-specific borrowing base calculations based on the sum of specified percentages of eligible accounts receivable, eligible inventory and certain fixed assets and intellectual property, as applicable, minus the amount of any applicable reserves, and (ii) bear interest at a floating rate, which can be either, at the Borrower’s option, (a) an adjusted LIBOR rate plus an applicable margin ranging from 1.25% to 3.00% per annum or (b) an alternate base rate plus an applicable margin ranging from 0.25% to 2.00% per annum, in each case, such applicable margins to be determined based on the Borrower’s average borrowing availability remaining under the senior secured revolving credit facilities.

In addition to paying interest on the outstanding principal under the senior secured revolving credit facilities, Mattel, Inc. is required to pay (i) an unused line fee per annum of the average daily unused portion of the senior secured revolving credit facilities; (ii) a letter of credit fronting fee based on a percentage of the aggregate face amount of outstanding letters of credit; and (iii) certain other customary fees and expenses of the lenders and agents.

The U.S. Borrowers, as well as certain Mattel U.S. subsidiaries that are guarantors (the "U.S. Guarantors"), are guaranteeing the obligations of all Borrowers under the senior secured revolving credit facilities. Additionally, the obligations of the Canadian Borrower, the French Borrower, the Spanish Borrower, the European (GNU) Borrowers and the Australian Borrower (collectively, the "Foreign Borrowers"), are each guaranteed by the obligations of the other Foreign Borrowers, as well as additional foreign subsidiaries of Mattel, Inc. that are guarantors (the "Foreign Guarantors").

The U.S. Subfacility is secured by liens on substantially all of the U.S. Borrowers’ and the U.S. Guarantors’ accounts receivable and inventory (the "U.S. Current Assets Collateral"). The Canadian Subfacility, the French Subfacility, the Spanish Subfacility, the European (GNU) Subfacility and the Australian Subfacility are each secured by a first priority lien on (i) the accounts receivable and inventory of the applicable Foreign Borrower(s) and Foreign Guarantors under such facility, and (ii) the U.S. Current Assets Collateral. The Fixed Asset & IP Facility is secured by a first priority lien on certain owned real property in the U.S., certain U.S. trademarks and patents and 100% of the equity interests in the U.S. Borrowers (aside from Mattel) and U.S. Guarantors, as well as 65% of the voting equity interests and 100% of the non-voting equity interests in Mattel Holdings Limited. The Fixed Asset & IP Facility is also secured by 65% of the voting equity interests of such additional Foreign Borrowers and Foreign Guarantors that are directly owned by a U.S. Borrower or U.S. Guarantor.

The Credit Agreement contains customary covenants, including, but not limited to, restrictions on the Borrower’s and its subsidiaries’ ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets outside of the ordinary course, optionally prepay or modify terms of any junior indebtedness, enter into transactions with affiliates or change their line of business.

The Credit Agreement requires the maintenance of a fixed charge coverage ratio of 1.00 to 1.00 at the end of each fiscal quarter when excess availability under the senior secured revolving credit facilities is less than the greater of (x) $100 million and (y) 10% of the aggregate amount available thereunder (the "Availability Threshold") and on the last day of each subsequent fiscal quarter ending thereafter until no event of default exists and excess availability is greater than the Availability Threshold for at least 30 consecutive days.

The fixed charge coverage ratio covenant was not in effect based on Mattel's excess availability under the senior secured revolving credit facilities as of June 30, 2018. Mattel was in compliance with all covenants contained in the Credit Agreement as of June 30, 2018. The Credit Agreement is a material agreement, and failure to comply with the covenants may result in an event of default under the terms of the senior secured revolving credit facilities. If Mattel were to default under the terms of the senior secured revolving credit facilities, its ability to meet its seasonal financing requirements could be adversely affected.

9. Long-Term Debt

Long-term debt includes the following:

	June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)	
2010 Senior Notes due October 2020 and October 2040	$ 500,000	$ 500,000	$ 500,000
2011 Senior Notes due November 2041	300,000	300,000	300,000
2013 Senior Notes due March 2018 and March 2023	250,000	500,000	500,000
2014 Senior Notes due May 2019	—	500,000	500,000
2016 Senior Notes due August 2021	350,000	350,000	350,000
2017/2018 Senior Notes due December 2025	1,500,000	—	1,000,000
Debt issuance costs and debt discount	(51,823)	(14,307)	(26,881)
	2,848,177	2,135,693	3,123,119
Less: current portion	—	(250,000)	(250,000)
Total long-term debt	$ 2,848,177	$ 1,885,693	$ 2,873,119

In December 2017, Mattel issued $1.00 billion aggregate principal amount of 6.75% senior unsecured notes due December 31, 2025 ("2017 Senior Notes"). The 2017 Senior Notes were issued pursuant to an indenture, dated December 20, 2017, among Mattel, the guarantors named therein, and MUFG Union Bank, N.A., as Trustee (the "Indenture"). Interest on the 2017 Senior Notes is payable semi-annually in arrears on June 30 and December 31 of each year, beginning on June 30, 2018. Mattel may redeem all or part of the 2017 Senior Notes at any time, or from time to time prior to December 31, 2020, at its option, at a redemption price equal to 100% of the principal amount, plus a "make whole" premium, plus accrued and unpaid interest on the 2017 Senior Notes being redeemed to, but excluding, the redemption date. Mattel may also redeem up to 40% of the principal amount of the 2017 Senior Notes at any time, or from time to time prior to December 31, 2020, at its option, at a redemption price equal to 106.75% of the principal amount, plus accrued and unpaid interest on the 2017 Senior Notes being redeemed to, but excluding, the redemption date, with the net cash proceeds of sales of one or more equity offerings by Mattel, or any direct or indirect parent of Mattel. Mattel may redeem all or part of the 2017 Senior Notes at any time, or from time to time on or after December 31, 2020, at its option, at a redemption price including a call premium that varies from 0% to 5.063%, depending on the year of redemption, plus accrued and unpaid interest on the 2017 Senior Notes being redeemed to, but excluding, the redemption date.

In March 2018, Mattel repaid $250.0 million of its 2013 Senior Notes in connection with its scheduled maturity.

In May 2018, Mattel issued $500.0 million aggregate principal amount of its 6.75% senior unsecured notes due December 31, 2025 ("2018 Senior Notes"). The 2018 Senior Notes were issued pursuant to a supplemental indenture, dated May 31, 2018 (the "Supplemental Indenture"), to the Indenture, dated December 20, 2017, among Mattel, the guarantors named therein and MUFG Union Bank, N.A., as Trustee.

In June 2018, Mattel used the net proceeds from the issuance of its 2018 Senior Notes, plus cash on hand, to redeem and retire all of its 2014 Senior Notes due May 6, 2019 at a redemption price equal to the principal amount, plus accrued and unpaid interest.

10. Other Noncurrent Liabilities

Other noncurrent liabilities include the following:

	June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)	
Benefit plan liabilities	$ 179,473	$ 206,200	$ 168,539
Noncurrent tax liabilities	122,425	96,083	124,330
Other	141,951	150,001	191,257
	$ 443,849	$ 452,284	$ 484,126

11. Accumulated Other Comprehensive Income (Loss)

The following tables present changes in the accumulated balances for each component of other comprehensive income (loss), including current period other comprehensive income (loss) and reclassifications out of accumulated other comprehensive income (loss):

	For the Three Months Ended June 30, 2018				
	Derivative Instruments	Available-for-Sale Security	Defined Benefit Pension Plans	Currency Translation Adjustments	Total
	(In thousands)				
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of March 31, 2018	$ (21,986)	$ (2,879)	$ (141,597)	$ (572,687)	$ (739,149)
Other comprehensive income (loss) before reclassifications	17,652	(2,709)	(2,899)	(105,727)	(93,683)
Amounts reclassified from accumulated other comprehensive income (loss)	4,786	—	3,968	—	8,754
Net increase (decrease) in other comprehensive income (loss)	22,438	(2,709)	1,069	(105,727)	(84,929)
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2018	$ 452	$ (5,588)	$ (140,528)	$ (678,414)	$ (824,078)

	For the Six Months Ended June 30, 2018				
	Derivative Instruments	Available-for-Sale Security	Defined Benefit Pension Plans	Currency Translation Adjustments	Total
	(In thousands)				
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of December 31, 2017	$ (21,098)	$ (2,799)	$ (143,213)	$ (614,676)	$ (781,786)
Other comprehensive income (loss) before reclassifications	12,333	(2,789)	(3,107)	(63,738)	(57,301)
Amounts reclassified from accumulated other comprehensive income (loss)	9,217	—	5,792	—	15,009
Net increase (decrease) in other comprehensive income (loss)	21,550	(2,789)	2,685	(63,738)	(42,292)
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2018	$ 452	$ (5,588)	$ (140,528)	$ (678,414)	$ (824,078)

	For the Three Months Ended June 30, 2017				
	Derivative Instruments	Available-for-Sale Security	Defined Benefit Pension Plans	Currency Translation Adjustments	Total
	(In thousands)				
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of March 31, 2017	$ 2,656	$ 1,835	$ (156,649)	$ (751,674)	$ (903,832)
Other comprehensive (loss) income before reclassifications	(27,406)	(2,423)	(100)	51,067	21,138
Amounts reclassified from accumulated other comprehensive income (loss)	(364)	—	1,124	—	760
Net (decrease) increase in other comprehensive income (loss)	(27,770)	(2,423)	1,024	51,067	21,898
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2017	$ (25,114)	$ (588)	$ (155,625)	$ (700,607)	$ (881,934)

	For the Six Months Ended June 30, 2017				
	Derivative Instruments	Available-for-Sale Security	Defined Benefit Pension Plans	Currency Translation Adjustments	Total
			(In thousands)		
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of December 31, 2016	$ 17,469	$ 3,149	$ (157,704)	$ (805,943)	$ (943,029)
Other comprehensive (loss) income before reclassifications	(39,990)	(3,737)	(200)	105,336	61,409
Amounts reclassified from accumulated other comprehensive income (loss)	(2,593)	—	2,279	—	(314)
Net (decrease) increase in other comprehensive income (loss)	(42,583)	(3,737)	2,079	105,336	61,095
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2017	$ (25,114)	$ (588)	$ (155,625)	$ (700,607)	$ (881,934)

The following tables present the classification and amount of the reclassifications from accumulated other comprehensive income (loss) to the consolidated statements of operations:

	For the Three Months Ended		
	June 30, 2018	June 30, 2017	Statements of Operations Classification
	(In thousands)		
Derivative Instruments			
(Loss) gain on foreign currency forward exchange contracts	$ (4,767)	$ 259	Cost of sales
Tax effect of net (loss) gain	(19)	105	Provision (benefit) for income taxes
	$ (4,786)	$ 364	Net loss
Defined Benefit Pension Plans			
Amortization of prior service credit (cost)	$ 502	$ (7)	(a)
Recognized actuarial loss	(2,046)	(1,859)	(a)
Settlement loss	(2,401)	—	Other non-operating income/expense
	(3,945)	(1,866)	
Tax effect of net loss	(23)	742	Provision (benefit) for income taxes
	$ (3,968)	$ (1,124)	Net loss

	For the Six Months Ended				Statements of Operations Classification
	June 30, 2018		June 30, 2017		
	(In thousands)				
Derivative Instruments					
(Loss) gain on foreign currency forward exchange contracts	$	(9,150)	$	2,466	Cost of sales
Tax effect of net (loss) gain		(67)		127	Provision (benefit) for income taxes
	$	(9,217)	$	2,593	Net loss
Defined Benefit Pension Plans					
Amortization of prior service credit (cost)	$	1,003	$	(15)	(a)
Recognized actuarial loss		(4,363)		(3,716)	(a)
Settlement loss		(2,443)		—	Other non-operating income/expense
		(5,803)		(3,731)	
Tax effect of net loss		11		1,452	Provision (benefit) for income taxes
	$	(5,792)	$	(2,279)	Net loss

(a) *The amortization of prior service credit (cost) and recognized actuarial loss are included in the computation of net periodic benefit cost. Refer to "Note 16 to the Consolidated Financial Statements—Employee Benefit Plans" of this Quarterly Report on Form 10-Q for additional information regarding Mattel's net periodic benefit cost.*

Currency Translation Adjustments

Mattel's reporting currency is the U.S. dollar. The translation of its net investments in subsidiaries with non-U.S. dollar functional currencies subjects Mattel to the impact of currency exchange rate fluctuations in its results of operations and financial position. Assets and liabilities of subsidiaries with non-U.S. dollar functional currencies are translated into U.S. dollars at fiscal period-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the fiscal period. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity. Currency translation adjustments resulted in a net loss of $63.7 million for the six months ended June 30, 2018, primarily due to the weakening of the Euro, Brazilian real, Russian ruble, and British pound sterling against the U.S. dollar. Currency translation adjustments resulted in a net gain of $105.3 million for the six months ended June 30, 2017, primarily due to the strengthening of Euro, Mexican peso and British pound sterling against the U.S. dollar.

12. Derivative Instruments

Mattel seeks to mitigate its exposure to foreign currency transaction risk by monitoring its foreign currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts. Mattel uses foreign currency forward exchange contracts as cash flow hedges primarily to hedge its purchases and sales of inventory denominated in foreign currencies. These contracts generally have maturity dates of up to 18 months. These derivative instruments have been designated as effective cash flow hedges, whereby the unsettled hedges are reported in Mattel's consolidated balance sheets at fair value, with changes in the fair value of the hedges reflected in other comprehensive (loss) income ("OCI"). Realized gains and losses for these contracts are recorded in the consolidated statements of operations in the period in which the inventory is sold to customers. Additionally, Mattel uses foreign currency forward exchange contracts to hedge intercompany loans and advances denominated in foreign currencies. Due to the short-term nature of the contracts involved, Mattel has not designated these contracts as hedging instruments, and as such, changes in fair value are recorded in the period of change in the consolidated statements of operations. As of June 30, 2018, June 30, 2017, and December 31, 2017, Mattel held foreign currency forward exchange contracts with notional amounts of $992.8 million, $1.38 billion, and $987.7 million, respectively.

The following tables present Mattel's derivative assets and liabilities:

	Derivative Assets			
	Balance Sheet Classification	Fair Value		
		June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)		
Derivatives designated as hedging instruments				
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	$ 7,321	$ 3,026	$ 2,175
Foreign currency forward exchange contracts	Other noncurrent assets	2,041	626	115
Total derivatives designated as hedging instruments		$ 9,362	$ 3,652	$ 2,290
Derivatives not designated as hedging instruments				
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	$ 1,418	$ 5,054	$ 5,514
Total		$ 10,780	$ 8,706	$ 7,804

	Derivative Liabilities			
	Balance Sheet Classification	Fair Value		
		June 30, 2018	June 30, 2017	December 31, 2017
		(In thousands)		
Derivatives designated as hedging instruments				
Foreign currency forward exchange contracts	Accrued liabilities	$ 6,535	$ 19,719	$ 15,970
Foreign currency forward exchange contracts	Other noncurrent liabilities	195	6,127	3,159
Total derivatives designated as hedging instruments		$ 6,730	$ 25,846	$ 19,129
Derivatives not designated as hedging instruments				
Foreign currency forward exchange contracts	Accrued liabilities	$ 630	$ 772	$ 191
Total		$ 7,360	$ 26,618	$ 19,320

The following tables present the classification and amount of gains and losses, net of tax, from derivatives reported in the consolidated statements of operations:

	For the Three Months Ended				
	June 30, 2018		June 30, 2017		
	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	Statements of Operations Classification
	(In thousands)				
Derivatives designated as hedging instruments					
Foreign currency forward exchange contracts	$ 17,652	$ (4,786)	$ (27,406)	$ 364	Cost of sales

	For the Six Months Ended				
	June 30, 2018		June 30, 2017		
	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	Statements of Operations Classification
	(In thousands)				
Derivatives designated as hedging instruments					
Foreign currency forward exchange contracts	$ 12,333	$ (9,217)	$ (39,990)	$ 2,593	Cost of sales

The net losses of $4.8 million and $9.2 million reclassified from accumulated other comprehensive loss to the consolidated statements of operations for the three and six months ended June 30, 2018, respectively, and the net gains of $0.4 million and $2.6 million reclassified from accumulated other comprehensive loss to the consolidated statements of operations for the three and six months ended June 30, 2017 , respectively, are offset by the changes in cash flows associated with the underlying hedged transactions.

	Amount of Gain (Loss) Recognized in the Statements of Operations		
	For the Three Months Ended		
	June 30, 2018	June 30, 2017	Statements of Operations Classification
	(In thousands)		
Derivatives not designated as hedging instruments			
Foreign currency forward exchange contracts	$ (31,552)	$ 25,389	Other non-operating income/expense
Foreign currency forward exchange contracts	(248)	116	Cost of sales
Total	$ (31,800)	$ 25,505	

	Amount of Gain (Loss) Recognized in the Statements of Operations		
	For the Six Months Ended		
	June 30, 2018	June 30, 2017	Statements of Operations Classification
	(In thousands)		
Derivatives not designated as hedging instruments			
Foreign currency forward exchange contracts	$ (16,864)	$ 50,958	Other non-operating income/expense
Foreign currency forward exchange contracts	(248)	502	Cost of sales
Total	$ (17,112)	$ 51,460	

The net losses of $31.8 million and $17.1 million recognized in the consolidated statements of operations for the three and six months ended June 30, 2018, respectively, and the net gains of $25.5 million and $51.5 million recognized in the consolidated statements of operations for the three and six months ended June 30, 2017, respectively, are offset by foreign currency transaction gains and losses on the related hedged balances.

13. Fair Value Measurements

The following tables present information about Mattel’s assets and liabilities measured and reported in the financial statements at fair value and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

- Level 2 – Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 – Valuations based on inputs that are unobservable, supported by little or no market activity, and that are significant to the fair value of the assets or liabilities.

Mattel's financial assets and liabilities measured and reported at fair value on a recurring basis include the following:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts (a)	$ —	$ 10,780	$ —	$ 10,780
Available-for-sale security (b)	6,201	—	—	6,201
Total assets	$ 6,201	$ 10,780	$ —	$ 16,981
Liabilities:				
Foreign currency forward exchange contracts (a)	$ —	$ 7,360	$ —	$ 7,360

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts (a)	$ —	$ 8,706	$ —	$ 8,706
Available-for-sale security (b)	11,201	—	—	11,201
Total assets	$ 11,201	$ 8,706	$ —	$ 19,907
Liabilities:				
Foreign currency forward exchange contracts (a)	$ —	$ 26,618	$ —	$ 26,618

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts (a)	$ —	$ 7,804	$ —	$ 7,804
Available-for-sale security (b)	8,991	—	—	8,991
Total assets	$ 8,991	$ 7,804	$ —	$ 16,795
Liabilities:				
Foreign currency forward exchange contracts (a)	$ —	$ 19,320	$ —	$ 19,320

(a) The fair value of the foreign currency forward exchange contracts are based on dealer quotes of market forward rates and reflect the amount that Mattel would receive or pay at their maturity dates for contracts involving the same notional amounts, currencies, and maturity dates.

(b) The fair value of the available-for-sale security is based on the quoted price on an active public exchange.

Non-Recurring Fair Value Measurements

Mattel tests its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable or that the carrying value may exceed its fair value. During the three and six months ended June 30, 2018, Mattel fully impaired certain intangible assets and property, plant, and equipment of $7.1 million and $11.9 million, respectively, due to discontinued use.

Other Financial Instruments

Mattel’s financial instruments include cash and equivalents, accounts receivable and payable, accrued liabilities, and short-term and long-term borrowings. The fair values of these instruments approximate their carrying values because of their short-term nature. Cash is classified as Level 1 and all other financial instruments are classified as Level 2 within the fair value hierarchy.

The estimated fair value of Mattel’s long-term debt, including the current portion, was $2.73 billion (compared to a carrying value of $2.90 billion) as of June 30, 2018, $2.20 billion (compared to a carrying value of $2.15 billion) as of June 30, 2017, and $3.01 billion (compared to a carrying value of $3.15 billion) as of December 31, 2017. The estimated fair values have been calculated based on broker quotes or rates for the same or similar instruments and are classified as Level 2 within the fair value hierarchy.

14. Earnings Per Share

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Prior to June 30, 2018, certain of Mattel’s restricted stock units ("RSUs") were considered participating securities because they contained nonforfeitable rights to dividend equivalents.

Under the two-class method, net income is reduced by the amount of dividends declared in the period for each class of common stock and participating securities. The remaining undistributed earnings are then allocated to common stock and participating securities as if all of the net income for the period had been distributed. Basic earnings per common share excludes dilution and is calculated by dividing net income allocable to common shares by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net income allocable to common shares by the weighted average number of common shares for the period, as adjusted for the potential dilutive effect of non-participating share-based awards.

The following table reconciles earnings per common share for the three and six months ended June 30, 2018 and 2017:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands, except per share amounts)			
Basic:				
Net loss	$ (240,931)	$ (56,075)	$ (552,184)	$ (169,306)
Less: net loss allocable to participating RSUs (a)	—	—	—	—
Net loss available for basic common shares	$ (240,931)	$ (56,075)	$ (552,184)	$ (169,306)
Weighted average common shares outstanding	344,584	343,116	344,507	343,020
Basic net loss per common share	$ (0.70)	$ (0.16)	$ (1.60)	$ (0.49)
Diluted:				
Net loss	$ (240,931)	$ (56,075)	$ (552,184)	$ (169,306)
Less: net loss allocable to participating RSUs (a)	—	—	—	—
Net loss available for diluted common shares	$ (240,931)	$ (56,075)	$ (552,184)	$ (169,306)
Weighted average common shares outstanding	344,584	343,116	344,507	343,020
Weighted average common equivalent shares arising from:				
Dilutive stock options and non-participating RSUs (b)	—	—	—	—
Weighted average number of common and potential common shares	344,584	343,116	344,507	343,020
Diluted net loss per common share	$ (0.70)	$ (0.16)	$ (1.60)	$ (0.49)

(a) *During the three and six months ended June 30, 2018 and 2017, Mattel did not allocate its net loss to its participating RSUs as its participating RSUs are not obligated to share in Mattel's losses.*

(b) *Mattel was in a net loss position during the three and six months ended June 30, 2018 and 2017, and, accordingly, all outstanding nonqualified stock options and non-participating RSUs were excluded from the calculation of diluted earnings per common share because their effect would be antidilutive.*

15. Revenues

Effective January 1, 2018, Mattel adopted ASU 2014-09 and its related amendments (collectively, the "new revenue standards") using the modified retrospective transition method, which was applied to all contracts not completed as of that date. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue standards, while prior periods were not adjusted.

The cumulative effect of the adoption of the new revenue standards on January 1, 2018 was reflected as a net reduction of approximately $29 million to the opening balance of retained earnings associated with certain licensing contracts. The adoption of the new revenue standards did not have a material impact on Mattel's consolidated balance sheets or consolidated statements of earnings as of or for the three and six months ended June 30, 2018.

Revenue Recognition and Sales Adjustments

Substantially all of Mattel's revenues continue to be recognized upon shipment or upon receipt of finished goods by the customer, depending on the contract terms. Additionally, Mattel routinely enters into arrangements with its customers to provide sales incentives, support customer promotions, and provide allowances for returns and defective merchandise. Such programs, which can be either contractual or discretionary in nature, are based primarily on customer purchases, customer performance of specified promotional activities, and other specified factors such as sales to consumers. Mattel bases its estimates for these programs on agreed upon customer contract terms as well as historical experience. The costs of these programs are considered variable consideration and are recorded as sales adjustments that reduce gross sales in the period the related sale is recognized. Based on Mattel's analysis of the new revenue standards, revenue recognition from the sale of finished goods to customers, which represents substantially all of Mattel's revenues, was not impacted by the adoption of the new revenue standards.

Mattel also enters into symbolic and functional licensing arrangements, whereby the licensee pays Mattel royalties based on sales of licensed product, and in certain cases are subject to minimum guaranteed amounts. The timing of revenue recognition for certain of these licensing arrangements with minimum guarantees changed under the new revenue standards, which under the new revenue standards is based on the determination of whether the license of intellectual property ("IP") is symbolic or functional IP.

Disaggregated Revenues

For a presentation of Mattel's revenues disaggregated by segment, brand, and geography, see "Note 23 to the Consolidated Financial Statements—Segment Information."

Practical Expedient

Mattel applied the practical expedient prescribed in the new revenue standards and did not evaluate contracts of one year or less for the existence of a significant financing component. Multi-year contracts were not material.

16. Employee Benefit Plans

Mattel and certain of its subsidiaries have qualified and nonqualified retirement plans covering substantially all employees of these companies, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 4 to the Consolidated Financial Statements–Employee Benefit Plans" in its 2017 Annual Report on Form 10-K.

A summary of the components of net periodic benefit cost for Mattel's defined benefit pension plans is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Service cost	$ 1,108	$ 1,077	$ 2,192	$ 2,243
Interest cost	4,555	3,571	9,197	8,891
Expected return on plan assets	(5,657)	(5,752)	(11,331)	(11,485)
Amortization of prior service cost	8	7	16	15
Recognized actuarial loss	2,126	1,821	4,523	3,641
Settlement loss	2,401	—	2,443	—
	$ 4,541	$ 724	$ 7,040	$ 3,305

A summary of the components of net periodic benefit cost for Mattel's postretirement benefit plans is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Service cost	$ —	$ —	$ 1	$ 1
Interest cost	52	151	104	406
Amortization of prior service credit	(509)	—	(1,019)	—
Recognized actuarial (gain) loss	(80)	38	(160)	75
	$ (537)	$ 189	$ (1,074)	$ 482

In accordance with ASU 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which went into effect for interim and annual reporting periods beginning on January 1, 2018, Mattel's service cost component is recorded within operating income, presented in the same line items as other employee compensation costs arising from employee services rendered in the period, while other components of net periodic pension cost and postretirement benefit cost are recorded outside of income from operations, presented in other non-operating (income) expense, net. Prior period amounts have been retrospectively adjusted, which resulted in a reclassification of $(0.3) million and $1.1 million of (income) expense, net from other selling and administrative expenses to other non-operating (income) expense, net for the three and six months ended June 30, 2017, respectively.

During the six months ended June 30, 2018, Mattel made cash contributions totaling approximately $17 million related to its defined benefit pension and postretirement benefit plans. During the remainder of 2018, Mattel expects to make additional cash contributions of approximately $4 million.

17. Share-Based Payments

Mattel has various stock compensation plans, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 7 to the Consolidated Financial Statements—Share-Based Payments" in its 2017 Annual Report on Form 10-K. Under the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan, Mattel has the ability to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, RSUs, performance awards, dividend equivalent rights, and shares of common stock to officers, employees, and other persons providing services to Mattel. Stock options are granted with exercise prices at the fair market value of Mattel's common stock on the applicable grant date and expire no later than ten years from the date of grant. Both stock options and time-vesting RSUs generally provide for vesting over a period of three years from the date of grant.

In April 2018, the Compensation Committee approved a new long-term incentive program for the January 1, 2018–December 31, 2020 performance cycle. As of June 30, 2018, three long-term incentive programs were in place with the following performance cycles: (i) a January 1, 2016–December 31, 2018 performance cycle, (ii) a January 1, 2017–December 31, 2019 performance cycle, and (iii) a January 1, 2018–December 31, 2020 performance cycle.

For the January 1, 2018-December 31, 2020 performance cycle, Mattel granted performance-based restricted stock units ("Performance RSUs") under the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan to senior executives providing services to Mattel. Performance RSUs granted under this program are also earned based on an initial target number with the final number of Performance RSUs payable being determined based on the product of the initial target number of Performance RSUs multiplied by a performance factor based on measurements of Mattel's performance with respect to (i) a cumulative three-year free cash flow target for the performance cycle and (ii) Mattel's total shareholder return (“TSR”) multiplier, which is based on Mattel’s three-year TSR relative to the TSR realized by companies comprised of the S&P 500 as of the first day of the performance cycle. The Performance RSUs also have dividend equivalent rights that are converted to shares of Mattel common stock only when and to the extent the underlying Performance RSUs are earned and paid in shares of Mattel common stock.

During the three and six months ended June 30, 2018, Mattel recognized no compensation expense in connection with its 2018–2020 performance cycle. During the three and six months ended June 30, 2018, Mattel recognized no compensation expense related to the 2017–2019 and the 2016–2018 performance-related component and recognized minimal expense related to the 2017–2019 and the 2016–2018 market-related component.

Compensation expense, included within other selling and administrative expenses in the consolidated statements of operations, related to stock options and RSUs is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Stock option compensation expense	$ 690	$ 2,743	$ 3,374	$ 5,816
RSU compensation expense	7,304	15,139	19,043	24,737
	$ 7,994	$ 17,882	$ 22,417	$ 30,553

The decline in compensation expense for the three and six months ended June 30, 2018 was primarily attributable to forfeitures during the period. As of June 30, 2018, total unrecognized compensation cost related to unvested share-based payments totaled $62.7 million and is expected to be recognized over a weighted-average period of 1.9 years.

Mattel uses treasury shares purchased under its share repurchase program to satisfy stock option exercises and the vesting of RSUs. Cash received for stock option exercises was $0 and $1.7 million during the six months ended June 30, 2018 and 2017, respectively.

18. Other Selling and Administrative Expenses

Other selling and administrative expenses include the following:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Design and development	$ 54,081	$ 56,684	$ 106,221	$ 108,496
Identifiable intangible asset amortization	9,532	4,412	19,730	8,601

19. Foreign Currency Transaction Gains and Losses

Currency exchange rate fluctuations impact Mattel’s results of operations and cash flows. Mattel’s currency transaction exposures include gains and losses realized on unhedged inventory purchases and unhedged receivables and payables balances that are denominated in a currency other than the applicable functional currency. Gains and losses on unhedged inventory purchases and other transactions associated with operating activities are recorded in the components of operating income to which they relate in the consolidated statements of operations. For hedges of intercompany loans and advances, which do not qualify for hedge accounting treatment, the gains or losses on the hedges resulting from changes in fair value as well as the offsetting transaction gains or losses on the related hedged items, along with unhedged items, are recognized in other non-operating expense/income, net in the consolidated statements of operations. Inventory purchase and sale transactions denominated in the Euro, Chinese renminbi, Mexican peso, Brazilian real, Canadian dollar, Australian dollar, British pound sterling, and Russian ruble are the primary transactions that cause foreign currency transaction exposure for Mattel.

Currency transaction gains (losses) included in the consolidated statements of operations are as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Operating loss	$ (12,274)	$ (6,845)	$ (4,541)	$ (34,994)
Other non-operating income (expense), net	446	(6,140)	1,033	(6,124)
Net transaction losses	$ (11,828)	$ (12,985)	$ (3,508)	$ (41,118)

20. Restructuring Charges

During the third quarter of 2017, Mattel initiated its Structural Simplification Cost Savings program, with plans to target at least $650 million in net cost savings by 2020.

The major initiatives of the Structural Simplification Cost Savings program include:

- Reducing manufacturing complexity, including SKU reduction, and implementing process improvement initiatives at owned and co-manufacturing facilities;
- Streamlining the organizational structure and reducing headcount expense to better align with the revenue base; and
- Optimizing advertising spend.

In connection with the Structural Simplification Cost Savings program, Mattel recorded severance and other restructuring charges of $47.8 million and $72.7 million during the three and six months ended June 30, 2018, respectively, within other selling and administrative expenses in the consolidated statements of operations, which is included in corporate and other expense in "Note 23 to the Consolidated Financial Statements—Segment Information." To date, Mattel has recorded cumulative severance and other restructuring charges of $117.8 million and expects to incur total charges of approximately $200 million related to the Structural Simplification Cost Savings program.

The following table summarizes Mattel's severance and other restructuring costs activity for the six months ended June 30, 2018:

	Liability at December 31, 2017	Charges	Payments/Utilization	Liability at June 30, 2018
	(In thousands)			
Severance	$ 29,794	$ 46,470	$ (30,307)	$ 45,957
Other restructuring costs	5,394	26,241	(12,223)	19,412
	$ 35,188	$ 72,711	$ (42,530)	$ 65,369

21. Income Taxes

Mattel’s provision for income taxes was $6.9 million and $4.3 million for the three and six months ended June 30, 2018, respectively, as compared to a benefit for income taxes of $17.7 million and $50.1 million for the three and six months ended June 30, 2017, respectively. Mattel recognized a net discrete tax benefit of $2.3 million and a net discrete tax expense of $2.2 million for the three and six months ended June 30, 2018, respectively, as compared to net discrete tax benefits of $3.2 million and $2.7 million for the three and six months ended June 30, 2017, respectively, primarily related to reassessments of prior years' tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. In the third quarter of 2017, Mattel established a valuation allowance on its U.S. deferred tax assets and continues to maintain a valuation allowance on its U.S. deferred tax assets. Therefore, Mattel’s 2018 tax expense or benefit is primarily driven by income or loss in taxable jurisdictions outside the U.S.

In the normal course of business, Mattel is regularly audited by federal, state, and foreign tax authorities. Based on the current status of federal, state, and foreign audits, Mattel believes it is reasonably possible that in the next twelve months, the total unrecognized tax benefits could decrease by approximately $25 million related to the settlement of tax audits and/or the expiration of statutes of limitations. The ultimate settlement of any issue with the applicable taxing authority could have a material impact on Mattel’s consolidated financial statements.

On December 22, 2017, H.R.1, also known as the Tax Cuts and Jobs Act ("Tax Act" or "U.S. Tax Reform"), was enacted. The Securities Exchange Commission has issued guidance under Staff Accounting Bulletin 118 that allows for companies to provide provisional amounts for certain income tax effects of the Tax Act for which the company can provide a reasonable estimate. The guidance also provides that a company may not have the necessary information available, prepared, or analyzed for certain income tax effects of the Tax Act, in which case the company would not be expected to provide a provisional amount for those specific items. Additionally, the guidance allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts.

As of December 31, 2017, Mattel reasonably estimated and recorded provisional adjustments associated with the impact of the corporate tax rate change. Mattel has not made any additional measurement-period adjustments related to these items during the first six months of 2018. Mattel continues to gather additional information to complete the accounting for these items and will complete our accounting within the prescribed measurement period.

Mattel has not yet been able to reasonably estimate the impact of the deemed repatriation of accumulated foreign earnings and no provisional adjustments were recorded as of June 30, 2018. Mattel is continuing to evaluate the impact of this provision of the Tax Act and will complete the accounting for this item within the prescribed measurement period. In addition, Mattel may re-evaluate the intentions related to the indefinite reinvestment assertion, as the incremental tax expense from repatriation of foreign earnings may be significantly less under the Tax Act.

In January 2018, the Financial Accounting Standards Board ("FASB") issued guidance stating that a company must make an accounting policy election of either (i) treating taxes due on future U.S. inclusions in taxable income related to Global Intangible Low-Taxed Income ("GILTI") as a current-period expense when incurred (the "period cost method") or (ii) factoring such amounts into a company’s measurement of its deferred taxes (the "deferred method"). Mattel has elected the period cost method and has considered the estimated 2018 GILTI impact in its 2018 tax expense.

On January 1, 2018, Mattel adopted ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which required Mattel to recognize the income tax effects of intercompany sales and transfers of assets other than inventory in the period in which the transfer occurs. Previously, the income tax effect of intercompany transfers of assets was deferred until the asset was sold to an outside party or otherwise recognized (e.g., depreciated, amortized, impaired). The new guidance requires Mattel to defer only the income tax effects of intercompany transfers of inventory. A cumulative effect adjustment of approximately $9 million was recorded as an increase to beginning retained earnings in the first quarter of 2018.

22. Contingencies

Litigation Related to Carter Bryant and MGA Entertainment, Inc.

In April 2004, Mattel filed a lawsuit in Los Angeles County Superior Court against Carter Bryant ("Bryant"), a former Mattel design employee. The suit alleges that Bryant aided and assisted a Mattel competitor, MGA Entertainment, Inc. ("MGA"), during the time he was employed by Mattel, in violation of his contractual and other duties to Mattel. In September 2004, Bryant asserted counterclaims against Mattel, including counterclaims in which Bryant sought, as a putative class action representative, to invalidate Mattel’s Confidential Information and Proprietary Inventions Agreements with its employees. Bryant also removed Mattel’s suit to the United States District Court for the Central District of California. In December 2004, MGA intervened as a party-defendant in Mattel’s action against Bryant, asserting that its rights to Bratz properties are at stake in the litigation.

Separately, in November 2004, Bryant filed an action against Mattel in the United States District Court for the Central District of California. The action sought a judicial declaration that Bryant’s purported conveyance of rights in Bratz was proper and that he did not misappropriate Mattel property in creating Bratz.

In April 2005, MGA filed suit against Mattel in the United States District Court for the Central District of California. MGA’s action alleges claims of trade dress infringement, trade dress dilution, false designation of origin, unfair competition, and unjust enrichment. The suit alleges, among other things, that certain products, themes, packaging, and/or television commercials in various Mattel product lines have infringed upon products, themes, packaging, and/or television commercials for various MGA product lines, including Bratz. The complaint also asserts that various alleged Mattel acts with respect to unidentified retailers, distributors, and licensees have damaged MGA and that various alleged acts by industry organizations, purportedly induced by Mattel, have damaged MGA. MGA’s suit alleges that MGA has been damaged in an amount "believed to reach or exceed tens of millions of dollars" and further seeks punitive damages, disgorgement of Mattel’s profits and injunctive relief.

In June 2006, the three cases were consolidated in the United States District Court for the Central District of California. On July 17, 2006, the Court issued an order dismissing all claims that Bryant had asserted against Mattel, including Bryant’s purported counterclaims to invalidate Mattel’s Confidential Information and Proprietary Inventions Agreements with its employees, and Bryant’s claims for declaratory relief.

On January 12, 2007, Mattel filed an Amended Complaint setting forth counterclaims that included additional claims against Bryant as well as claims for copyright infringement, Racketeer Influenced and Corrupt Organizations ("RICO") violations, misappropriation of trade secrets, intentional interference with contract, aiding and abetting breach of fiduciary duty and breach of duty of loyalty, and unfair competition, among others, against MGA, its Chief Executive Officer Isaac Larian, certain MGA affiliates and an MGA employee. The RICO claim alleged that MGA stole Bratz and then, by recruiting and hiring key Mattel employees and directing them to bring with them Mattel confidential and proprietary information, unfairly competed against Mattel using Mattel’s trade secrets, confidential information, and key employees to build their business.

Mattel sought to try all of its claims in a single trial, but in February 2007, the Court decided that the consolidated cases would be tried in two phases, with the first trial to determine claims and defenses related to Mattel’s ownership of Bratz works and whether MGA infringed those works. On May 19, 2008, Bryant reached a settlement agreement with Mattel and is no longer a defendant in the litigation. In the public stipulation entered by Mattel and Bryant in connection with the resolution, Bryant agreed that he was and would continue to be bound by all prior and future Court Orders relating to Bratz ownership and infringement, including the Court’s summary judgment rulings.

The first phase of the first trial resulted in a unanimous jury verdict on July 17, 2008 in favor of Mattel. The jury found that almost all of the Bratz design drawings and other works in question were created by Bryant while he was employed at Mattel; that MGA and Isaac Larian intentionally interfered with the contractual duties owed by Bryant to Mattel, aided and abetted Bryant’s breaches of his duty of loyalty to Mattel, aided and abetted Bryant’s breaches of the fiduciary duties he owed to Mattel, and converted Mattel property for their own use. The same jury determined that defendants MGA, Larian, and MGA Entertainment (HK) Limited infringed Mattel’s copyrights in the Bratz design drawings and other Bratz works, and awarded Mattel total damages of approximately $100 million against the defendants. On December 3, 2008, the Court issued a series of orders rejecting MGA’s equitable defenses and granting Mattel’s motions for equitable relief, including an order enjoining the MGA party defendants from manufacturing, marketing, or selling certain Bratz fashion dolls or from using the "Bratz" name. The Court stayed its December 3, 2008 injunctive orders until further order of the Court.

The parties filed and argued additional motions for post-trial relief, including a request by MGA to enter judgment as a matter of law on Mattel’s claims in MGA’s favor and to reduce the jury’s damages award to Mattel. Mattel additionally moved for the appointment of a receiver. On April 27, 2009, the Court entered an order confirming that Bratz works found by the jury to have been created by Bryant during his Mattel employment were Mattel’s property and that hundreds of Bratz female fashion dolls infringe Mattel’s copyrights. The Court also upheld the jury’s award of damages in the amount of $100 million and ordered an accounting of post-trial Bratz sales. The Court further vacated the stay of the December 3, 2008 orders.

MGA appealed the Court’s equitable orders to the Court of Appeals for the Ninth Circuit. On December 9, 2009, the Ninth Circuit heard oral argument on MGA’s appeal and issued an order staying the District Court’s equitable orders pending a further order to be issued by the Ninth Circuit. On July 22, 2010, the Ninth Circuit vacated the District Court’s equitable orders. The Ninth Circuit stated that, because of several jury instruction errors it identified, a significant portion-if not all-of the jury verdict and damage award should be vacated.

In its opinion, the Ninth Circuit found that the District Court erred in concluding that Mattel’s Invention Agreement unambiguously applied to "ideas;" that it should have considered extrinsic evidence in determining the application of the agreement; and if the conclusion turns on conflicting evidence, it should have been up to the jury to decide. The Ninth Circuit also concluded that the District Judge erred in transferring the entire brand to Mattel based on misappropriated names and that the Court should have submitted to the jury, rather than deciding itself, whether Bryant’s agreement assigned works created outside the scope of his employment and whether Bryant’s creation of the Bratz designs and sculpt was outside of his employment. The Court then went on to address copyright issues which would be raised after a retrial, since Mattel "might well convince a properly instructed jury" that it owns Bryant’s designs and sculpt. The Ninth Circuit stated that the sculpt itself was entitled only to "thin" copyright protection against virtually identical works, while the Bratz sketches were entitled to "broad" protection against substantially similar works; in applying the broad protection, however, the Ninth Circuit found that the lower court had erred in failing to filter out all of the unprotectable elements of Bryant’s sketches. This mistake, the Court said, caused the lower court to conclude that all Bratz dolls were substantially similar to Bryant’s original sketches.

Judge Stephen Larson, who presided over the first trial, retired from the bench during the course of the appeal, and the case was transferred to Judge David O. Carter. After the transfer, Judge Carter granted Mattel leave to file a Fourth Amended Answer and Counterclaims which focused on RICO, trade secret and other claims, and added additional parties, and subsequently granted in part and denied in part a defense motion to dismiss those counterclaims.

Later, on August 16, 2010, MGA asserted several new claims against Mattel in response to Mattel’s Fourth Amended Answer and Counterclaims, including claims for alleged trade secret misappropriation, an alleged violation of RICO, and wrongful injunction. MGA alleged, in summary, that, for more than a decade dating back to 1992, Mattel employees engaged in a pattern of stealing alleged trade secret information from competitors "toy fair" showrooms, and then sought to conceal that alleged misconduct. Mattel moved to strike and/or dismiss these claims, as well as certain MGA allegations regarding Mattel’s motives for filing suit. The Court granted that motion as to the wrongful injunction claim, which it dismissed with prejudice, and as to the allegations about Mattel’s motives, which it struck. The Court denied the motion as to MGA’s trade secret misappropriation claim and its claim for violations of RICO.

The Court resolved summary judgment motions in late 2010. Among other rulings, the Court dismissed both parties’ RICO claims; dismissed Mattel’s claim for breach of fiduciary duty and portions of other claims as "preempted" by the trade secrets act; dismissed MGA’s trade dress infringement claims; dismissed MGA’s unjust enrichment claim; dismissed MGA’s common law unfair competition claim; and dismissed portions of Mattel’s copyright infringement claim as to "later generation" Bratz dolls.

Trial of all remaining claims began in early January 2011. During the trial, and before the case was submitted to the jury, the Court granted MGA’s motions for judgment as to Mattel’s claims for aiding and abetting breach of duty of loyalty and conversion. The Court also granted a defense motion for judgment on portions of Mattel’s claim for misappropriation of trade secrets relating to thefts by former Mattel employees located in Mexico.

The jury reached verdicts on the remaining claims in April 2011. In those verdicts, the jury ruled against Mattel on its claims for ownership of Bratz-related works, for copyright infringement, and for misappropriation of trade secrets. The jury ruled for MGA on its claim of trade secret misappropriation as to 26 of its claimed trade secrets and awarded $88.5 million in damages. The jury ruled against MGA as to 88 of its claimed trade secrets. The jury found that Mattel’s misappropriation was willful and malicious.

In early August 2011, the Court ruled on post-trial motions. The Court rejected MGA’s unfair competition claims and also rejected Mattel’s equitable defenses to MGA’s misappropriation of trade secrets claim. The Court reduced the jury’s damages award of $88.5 million to $85.0 million. The Court awarded MGA an additional $85.0 million in punitive damages and approximately $140 million in attorney’s fees and costs. The Court entered a judgment which totaled approximately $310 million in favor of MGA.

On August 11, 2011, Mattel appealed the judgment, challenging on appeal the entirety of the District Court’s monetary award in favor of MGA, including both the award of $170 million in damages for alleged trade secret misappropriation and approximately $140 million in attorney’s fees and costs. On January 24, 2013, the Ninth Circuit Court of Appeals issued a ruling on Mattel’s appeal. In that ruling, the Court found that MGA’s claim for trade secrets misappropriation was not compulsory to any Mattel claim and could not be filed as a counterclaim-in-reply. Accordingly, the Court of Appeals vacated the portion of the judgment awarding damages and attorney’s fees and costs to MGA for prevailing on its trade secrets misappropriation claim, totaling approximately $172.5 million. It ruled that, on remand, the District Court must dismiss MGA’s trade secret claim without prejudice. In its ruling, the Court of Appeals also affirmed the District Court’s award of attorney’s fees and costs under the Copyright Act. Accordingly, Mattel recorded a litigation accrual of approximately $138 million during the fourth quarter of 2012 to cover these fees and costs.

Because multiple claimants asserted rights to the attorney’s fees portion of the judgment, on February 13, 2013, Mattel filed a motion in the District Court for orders permitting Mattel to interplead the proceeds of the judgment and releasing Mattel from liability to any claimant based on Mattel’s payment of the judgment.

On February 27, 2013, MGA filed a motion for leave to amend its prior complaint in the existing federal court lawsuit so that it could reassert its trade secrets claim. Mattel opposed that motion. On December 17, 2013, the District Court denied MGA’s motion for leave to amend and entered an order dismissing MGA’s trade secrets claim without prejudice. Also on December 17, 2013, following a settlement between MGA and certain insurance carriers, the District Court denied Mattel’s motion for leave to interplead the proceeds of the judgment.

On December 21, 2013, a stipulation regarding settlement with insurers and payment of judgment was filed in the District Court, which provided that (i) Mattel would pay approximately $138 million, including accrued interest, in full satisfaction of the copyright fees judgment, (ii) all parties would consent to entry of an order exonerating and discharging the appeal bond posted by Mattel, and (iii) MGA's insurers would dismiss all pending actions related to the proceeds of the copyright fees judgment, including an appeal by Evanston Insurance Company in an action against Mattel that was pending in the Ninth Circuit. On December 23, 2013, Mattel paid the copyright fees judgment in the total sum, including interest, of approximately $138 million. On December 26, 2013, the District Court entered an order exonerating and discharging the appeal bond posted by Mattel, and on December 27, 2013, MGA filed an acknowledgment of satisfaction of judgment. On December 30, 2013, Evanston Insurance Company's appeal in its action against Mattel was dismissed.

On January 13, 2014, MGA filed a new, but virtually identical, trade secrets claim against Mattel in Los Angeles County Superior Court. In its complaint, MGA purports to seek damages in excess of $1 billion. On December 3, 2014, the Court overruled Mattel's request to dismiss MGA's case as barred as a result of prior litigation between the parties. On July 31, 2017, Mattel filed a motion for summary judgment on the grounds that MGA's complaint is barred by the statute of limitations. On February 13, 2018, the Court granted Mattel's summary judgment motion. Consistent with this ruling, the Court entered judgment for Mattel on March 8, 2018. On April 24, 2018, MGA filed a Notice of Appeal of the judgment. MGA can seek to appeal such a judgment to the California Court of Appeal. Mattel does not presently believe that damages in any amount are reasonably possible. Accordingly, no liability has been accrued to date.

Litigation Related to Yellowstone do Brasil Ltda.

Yellowstone do Brasil Ltda. (formerly known as Trebbor Informática Ltda.) was a customer of Mattel's subsidiary Mattel do Brasil Ltda. when a commercial dispute arose between Yellowstone and Mattel do Brasil regarding the supply of product and related payment terms. As a consequence of the dispute, in April 1999, Yellowstone filed a declarative action against Mattel do Brasil before the 15th Civil Court of Curitiba - State of Parana (the "Trial Court"), requesting the annulment of its security bonds and promissory notes given to Mattel do Brasil as well as requesting the Trial Court to find Mattel do Brasil liable for damages incurred as a result of Mattel do Brasil's alleged abrupt and unreasonable breach of an oral exclusive distribution agreement between the parties relating to the supply and sale of toys in Brazil. Yellowstone's complaint sought alleged loss of profits of approximately $1 million, plus an unspecified amount of damages consisting of: (i) compensation for all investments made by Yellowstone to develop Mattel do Brasil's business; (ii) reimbursement of the amounts paid by Yellowstone to terminate labor and civil contracts in connection with the business; (iii) compensation for alleged unfair competition and for the goodwill of trade; and (iv) compensation for non-pecuniary damages.

Mattel do Brasil filed its defenses to these claims and simultaneously presented a counterclaim for unpaid accounts receivable for goods supplied to Yellowstone in the approximate amount of $4 million.

During the evidentiary phase a first accounting report was submitted by a court-appointed expert. Such report stated that Yellowstone had invested approximately $3 million in its business. Additionally, the court-appointed expert calculated a loss of profits compensation of approximately $1 million. Mattel do Brasil challenged the report since it was not made based on the official accounting documents of Yellowstone and since the report calculated damages based only on documents unilaterally submitted by Yellowstone.

The Trial Court accepted the challenge and ruled that a second accounting examination should take place in the lawsuit. Yellowstone appealed the decision to the Court of Appeals of the State of Parana (the "Appeals Court"), but it was upheld by the Appeals Court.

The second court-appointed expert's report submitted at trial did not assign a value to any of Yellowstone's claims and found no evidence of causation between Mattel do Brasil's actions and such claims.

In January 2010, the Trial Court ruled in favor of Mattel do Brasil and denied all of Yellowstone's claims based primarily on the lack of any causal connection between the acts of Mattel do Brasil and Yellowstone's alleged damages. Additionally, the Trial Court upheld Mattel do Brasil's counterclaim and ordered Yellowstone to pay Mattel do Brasil approximately $4 million. The likelihood of Mattel do Brasil recovering this amount was uncertain due to the fact that Yellowstone was declared insolvent and filed for bankruptcy protection. In February 2010, Yellowstone filed a motion seeking clarification of the decision which was denied.

In September 2010, Yellowstone filed a further appeal with the Appeals Court. Under Brazilian law, the appeal was de novo and Yellowstone restated all of the arguments it made at the Trial Court level. Yellowstone did not provide any additional information supporting its unspecified alleged damages. The Appeals Court held hearings on the appeal in March and April 2013. On July 26, 2013, the Appeals Court awarded Yellowstone approximately $17 million in damages, plus attorney's fees, as adjusted for inflation and interest. The Appeals Court also awarded Mattel do Brasil approximately $7.5 million on its counterclaim, as adjusted for inflation. On August 2, 2013, Mattel do Brasil filed a motion with the Appeals Court for clarification since the written decision contained clear errors in terms of amounts awarded and interest and inflation adjustments. Mattel do Brasil's motion also asked the Appeals Court to decide whether Yellowstone's award could be offset by the counterclaim award, despite Yellowstone's status as a bankrupt entity. Yellowstone also filed a motion for clarification on August 5, 2013. A decision on the clarification motions was rendered on November 11, 2014, and the Appeals Court accepted partially the arguments raised by Mattel do Brasil. As a result, the Appeals Court awarded Yellowstone approximately $14.5 million in damages, as adjusted for inflation and interest, plus attorney's fees. The Appeals Court also awarded Mattel do Brasil approximately $7.5 million on its counterclaim, as adjusted for inflation. The decision also recognized the existence of legal rules that support Mattel do Brasil's right to offset its counterclaim award of approximately $7.5 million. Mattel do Brasil filed a new motion for clarification with the Appeals Court on January 21, 2015, due to the incorrect statement made by the reporting judge of the Appeals Court, that the court-appointed expert analyzed the "accounting documents" of Yellowstone. On April 26, 2015, a decision on the motion for clarification was rendered. The Appeals Court ruled that the motion for clarification was denied and imposed a fine on Mattel do Brasil equal to 1% of the value of the claims made for the delay caused by the motion. On July 3, 2015, Mattel do Brasil filed a special appeal to the Superior Court of Justice based upon both procedural and substantive grounds. This special appeal seeks to reverse the Appeals Court's decision of July 26, 2013, and to reverse the fine as inappropriate under the law. This special appeal was submitted to the Appeals Court which must rule on its admissibility before it is transferred to the Superior Court.

Yellowstone also filed a special appeal with the Appeals Court in February 2015, which was made available to Mattel do Brasil on October 7, 2015. Yellowstone's special appeal seeks to reverse the Appeals Court decision with respect to: (a) the limitation on Yellowstone's loss of profits claim to the amount requested in the complaint, instead of the amount contained in the first court-appointed experts report, and (b) the award of damages to Mattel do Brasil on the counterclaim, since the specific amount was not requested in Mattel do Brasil's counterclaim brief.

On October 19, 2015, Mattel do Brasil filed its answer to the special appeal filed by Yellowstone and Yellowstone filed its answer to the special appeal filed by Mattel do Brasil. On April 4, 2016, the Appeals Court rendered a decision denying the admissibility of Mattel's and Yellowstone's special appeals. On May 11, 2016, both Mattel and Yellowstone filed interlocutory appeals and are awaiting the decision.

On August 31, 2017, the reporting justice for the Appeals Court denied Yellowstone's interlocutory appeal. As to Mattel, the reporting justice reversed the fine referenced above that had been previously imposed on Mattel for filing a motion for clarification. However, the reporting justice rejected Mattel's arguments on the merits of Yellowstone's damages claims. On September 22, 2017, Mattel filed a further appeal to the full panel of five appellate justices to challenge the merits of Yellowstone's damages claims. Yellowstone did not file a further appeal.

In April 2018, Mattel do Brasil entered into a settlement agreement to resolve this matter for 5.0 million Brazilian real. The settlement is subject to approval by the Brazilian courts and as of June 30, 2018, Mattel has accrued a reserve of approximately $1.5 million.

Securities Litigation

A purported class action lawsuit is pending in the United States District Court for the Central District of California (consolidating Waterford Township Police & Fire Retirement System v. Mattel, Inc., et al., filed June 27, 2017; and Lathe v. Mattel, Inc., et al., filed July 6, 2017) against Mattel, Christopher A. Sinclair, Richard Dickson, Kevin M. Farr, and Joseph B. Johnson alleging federal securities laws violations in connection with statements allegedly made by the defendants during the period October 20, 2016 through April 20, 2017. In general, the lawsuit asserts allegations that the defendants artificially inflated Mattel's common stock price by knowingly making materially false and misleading statements and omissions to the investing public about retail customer inventory, the alignment between point-of-sale and shipping data, and Mattel's overall financial condition. The lawsuit alleges that the defendants' conduct caused the plaintiff and other stockholders to purchase Mattel common stock at artificially inflated prices. On May 24, 2018, the Court granted Mattel's motion to dismiss the class action lawsuit, and on June 25, 2018, the plaintiff filed a motion informing the Court he would not be filing an amended complaint. The plaintiff will have the opportunity to file an appeal after the Court enters judgment in favor of Mattel.

In addition, a stockholder has filed a derivative action in the United States District Court for the District of Delaware (Lombardi v. Sinclair, et al., filed December 21, 2017) making allegations that are substantially identical to, or are based upon, the allegations of the class action lawsuit. The defendants in the derivative action are the same as those in the class action lawsuit plus Margaret H. Georgiadis, Michael J. Dolan, Trevor A. Edwards, Frances D. Fergusson, Ann Lewnes, Dominic Ng, Vasant M. Prabhu, Dean A. Scarborough, Dirk Van de Put, and Kathy W. Loyd. On February 26, 2018, the derivative action was stayed pending further developments in the class action litigation.

The lawsuits seek unspecified compensatory damages, attorneys' fees, expert fees, costs and/or injunctive relief. Mattel believes that the allegations in the lawsuits are without merit and intends to vigorously defend against them. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

23. Segment Information

Mattel designs, manufactures, and markets a broad variety of toy products worldwide which are sold to its customers and directly to consumers. Mattel reorganized its brands reporting structure in the first quarter of 2018 as outlined below. Prior period amounts have been reclassified to conform to the current period presentation.

Mattel's portfolio of brands and products are classified as Power Brands, which includes Barbie, Hot Wheels, Fisher-Price and Thomas & Friends, and American Girl Brands, and Toy Box, which includes Owned Brands and Partner Brands.

Mattel's operating segments are: (i) North America, which consists of the U.S. and Canada, (ii) International, and (iii) American Girl. The North America and International segments sell products in both the Power Brands, excluding American Girl, and Toy Box categories, although some are developed and adapted for particular international markets.

Segment Data

The following tables present information about revenues, income, and assets by segment. In the following tables, Mattel does not include sales adjustments such as trade discounts and other allowances in the calculation of segment revenues (referred to as "gross sales" and reconciled to net sales in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations–Non-GAAP Financial Measures" of this Quarterly Report on Form 10-Q). Mattel records these adjustments in its financial accounting systems at the time of sale to each customer, but the adjustments are not allocated to brands or individual products. For this reason, Mattel's chief operating decision maker uses gross sales by segment as one of the metrics to measure segment performance. Such sales adjustments are included in the determination of segment income from operations based on the adjustments recorded in the financial accounting systems. Segment income represents each segment's operating income, while consolidated operating income represents income from operations before net interest, other non-operating expense/income, net, and income taxes as reported in the consolidated statements of operations. The corporate and other expense category includes costs not allocated to individual segments, including charges related to incentive compensation, share-based payments, severance and restructuring, and corporate headquarters functions managed on a worldwide basis, and the impact of changes in foreign currency exchange rates on intercompany transactions.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Revenues by Segment				
North America	$ 442,883	$ 507,242	$ 791,273	$ 869,560
International	466,676	493,748	850,810	860,084
American Girl	44,561	67,516	112,048	153,500
Gross sales	954,120	1,068,506	1,754,131	1,883,144
Sales adjustments	(113,372)	(94,029)	(205,011)	(173,049)
Net sales	$ 840,748	$ 974,477	$ 1,549,120	$ 1,710,095

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Segment (Loss) Income				
North America (a)	$ (25,940)	$ 42,723	$ (132,690)	$ 23,383
International (a)	(49,740)	(8,325)	(122,005)	(33,167)
American Girl (a)	(16,222)	(18,172)	(31,065)	(23,957)
	(91,902)	16,226	(285,760)	(33,741)
Corporate and other expense (b)	(97,289)	(65,256)	(180,012)	(140,902)
Operating loss	(189,191)	(49,030)	(465,772)	(174,643)
Interest expense	43,467	21,881	84,546	43,911
Interest (income)	(1,699)	(2,296)	(4,846)	(4,762)
Other non-operating expense, net	3,063	5,128	2,455	5,622
Loss before income taxes	$ (234,022)	$ (73,743)	$ (547,927)	$ (219,414)

(a) *Segment loss for the three and six months ended June 30, 2018, includes $(7.0) million and $79.8 million, respectively, of net sales reversal and bad debt expense, net attributable to the Toys "R" Us liquidation. For the six months ended June 30, 2018, the North America, International, and American Girl segments recorded charges of $68.5 million, $9.6 million, and $1.7 million, respectively, related to the Toys "R" Us liquidation.*

(b) *Corporate and other expense includes severance and restructuring expenses of $47.8 million and $72.7 million for the three and six months ended June 30, 2018, respectively, and $5.8 million and $8.8 million for the three and six months ended June 30, 2017, respectively, and share-based compensation expense of $8.0 million and $22.4 million for the three and six months ended June 30, 2018, respectively, and $17.9 million and $30.6 million for the three and six months ended June 30, 2017, respectively.*

Segment assets are comprised of accounts receivable and inventories, net of applicable reserves and allowances.

	June 30, 2018	June 30, 2017	December 31, 2017
	(In thousands)		
Assets by Segment			
North America	$ 591,273	$ 750,027	$ 692,232
International	692,341	791,822	829,185
American Girl	78,315	168,114	100,184
	1,361,929	1,709,963	1,621,601
Corporate and other	133,423	143,622	107,713
Accounts receivable, net and inventories	$ 1,495,352	$ 1,853,585	$ 1,729,314

The table below presents worldwide revenues by brand category:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Worldwide Revenues by Brand Category (a)				
Barbie	$ 170,733	$ 152,175	$ 323,424	$ 275,566
Hot Wheels	167,306	138,372	312,246	264,052
Fisher-Price and Thomas & Friends	236,176	275,948	423,971	480,992
American Girl	45,218	67,292	112,645	153,105
Toy Box	334,687	434,719	581,845	709,429
Gross sales	954,120	1,068,506	1,754,131	1,883,144
Sales adjustments	(113,372)	(94,029)	(205,011)	(173,049)
Net sales	$ 840,748	$ 974,477	$ 1,549,120	$ 1,710,095

(a) Mattel reorganized its brands reporting structure in the first quarter of 2018. Prior period amounts have been reclassified to conform to the current period presentation.

Geographic Information

The table below presents information by geographic area. Revenues are attributed to countries based on location of customer.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands)			
Revenues				
North America	$ 487,444	$ 574,758	$ 903,321	$ 1,023,060
International (a)				
Europe	171,311	178,224	339,649	334,785
Latin America	138,550	134,297	213,018	204,065
Global Emerging Markets	156,815	181,227	298,143	321,234
Total International	466,676	493,748	850,810	860,084
Gross sales	954,120	1,068,506	1,754,131	1,883,144
Sales adjustments	(113,372)	(94,029)	(205,011)	(173,049)
Net sales	$ 840,748	$ 974,477	$ 1,549,120	$ 1,710,095

(a) Mattel reorganized its regional reporting structure in the first quarter of 2018. As a result, Global Emerging Markets, which was previously disclosed as Asia Pacific, includes Russia, Turkey, the Middle East, and Africa, which were previously included within Europe. Prior period amounts have been reclassified to conform to the current period presentation.

24. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry specific guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance establishes a five-step model to achieve that core principle and also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. Mattel adopted ASU 2014-09 and its related amendments on January 1, 2018 using the modified retrospective transition method. For additional information, see "Note 15 to the Consolidated Financial Statements — Revenues."

In October 2016, the FASB issued ASU 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*, which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 became effective for interim and annual reporting periods beginning on January 1, 2018. For additional information, see "Note 21 to the Consolidated Financial Statements - Income Taxes."

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires entities that sponsor defined benefit plans to (i) present service cost within operations, if such a subtotal is presented, (ii) other components of net benefit costs should be presented separately outside of income from operations, if such a subtotal is presented, and (iii) only the service cost component should be capitalized, when applicable. If a separate line item is not used, the line item in the income statement where the other components of net benefit costs are included must be disclosed. Further, gains and losses from curtailments and settlements, and the cost of certain termination benefits should be reported in the same manner as other components of net benefit cost. ASU 2017-07 became effective for interim and annual reporting periods beginning on January 1, 2018. The retrospective adoption of ASU 2017-07 in the first quarter of 2018 did not have a material effect on Mattel’s consolidated financial statements, as discussed in "Note 16 to the Consolidated Financial Statements—Employee Benefit Plans."

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a lease asset and lease liability on its balance sheet for all leases with a term greater than 12 months. ASU 2016-02 will be effective for interim and annual reporting periods beginning on January 1, 2019. Mattel is currently evaluating the impact of the adoption of ASU 2016-02 on its operating results and financial position, which based on a preliminary assessment, is expected to have a material impact on its financial position.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*, which expands the hedging strategies eligible for hedge accounting and changes both how companies assess hedge effectiveness and presentation and disclosure requirements. ASU 2017-12 will be effective for interim and annual reporting periods beginning on January 1, 2019. Early application is permitted in any interim period after issuance of the update. Mattel is currently evaluating the impact of the adoption of ASU 2017-12 on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which permits the reclassification of disproportionate tax effects in accumulated other comprehensive income caused by the Tax Cuts and Jobs Act of 2017 (the "2017 Act") to retained earnings. ASU 2018-02 will become effective for interim and annual reporting periods beginning on January 1, 2019. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued. Mattel is currently evaluating the impact of the adoption of ASU 2017-12 on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of current stock compensation recognition standards to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 will become effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of ASU 2014-09, which Mattel adopted on January 1, 2018. Mattel is currently evaluating the impact of the adoption of ASU 2018-07 on its consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

In the discussion that follows, "Mattel" refers to Mattel, Inc. and/or one or more of its family of companies.

The following discussion should be read in conjunction with the consolidated financial information and related notes that appear in Part I, Item 1 of this Quarterly Report on Form 10-Q. Mattel’s business is seasonal with consumers making a large percentage of all toy purchases during the traditional holiday season; therefore, results of operations are comparable only with corresponding periods.

The following discussion also includes gross sales and currency exchange rate impact, non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission ("Regulation G"), to supplement the financial results as reported in accordance with GAAP. Gross sales represent sales to customers, excluding the impact of sales adjustments, such as trade discounts and other allowances. The currency exchange rate impact reflects the portion (expressed as a percentage) of changes in Mattel's reported results that are attributable to fluctuations in currency exchange rates. Mattel uses these non-GAAP financial measures to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance. Management believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to allow them to better evaluate ongoing business performance and certain components of Mattel's results. These measures are not, and should not be viewed as, a substitute for GAAP financial measures. Refer to "Non-GAAP Financial Measures" in this Quarterly Report on Form 10-Q for a more detailed discussion, including a reconciliation of gross sales, a non-GAAP financial measure, to net sales, its most directly comparable GAAP financial measure.

Note that amounts within this Item shown in millions may not foot due to rounding.

Overview

Mattel is a leading global children’s entertainment company that specializes in design and production of quality toys and consumer products. Mattel reorganized its brands reporting in the first quarter of 2018 as outlined below to better align with internal reporting on gross sales. Prior period amounts have been reclassified to conform to the current period presentation.

Mattel’s portfolio of brands and products are classified as Power Brands and Toy Box:

- Power Brands include:

  Barbie—Empowering girls since 1959, *Barbie* has inspired the limitless potential of every girl by showing them that they can be anything. With an extensive portfolio of dolls and accessories, content, gaming, and lifestyle products, *Barbie* is the premier fashion doll for children around the world.

  Hot Wheels—Now celebrating its 50th year in production, *Hot Wheels* pushes the limits of performance and design and ignites the challenger spirit of kids, adults, and collectors. From die-cast cars, to tracks, playsets, and advanced play products, the *Hot Wheels* portfolio has broad appeal that engages and excites kids.

  Fisher-Price and Thomas & Friends—An institution in learning and child development for over 85 years, *Fisher-Price* is driven to enrich children's lives from birth to school readiness, helping families provide their children with the best possible start. *Thomas & Friends*, a key property in the *Fisher-Price* portfolio, is an award-winning preschool train brand franchise that brings meaningful life lessons of friendship and teamwork to kids through content, toy, live events, and other lifestyle categories.

  American Girl—A beloved brand since the first catalog debuted in 1986, *American Girl* is best known for imparting valuable life lessons through its inspiring dolls and books, featuring diverse characters from past and present. Its products are sold directly to consumers via its catalog, website, and proprietary retail stores.

- Toy Box includes new and innovative products from Mattel-owned and licensed entertainment properties:

  Owned Brands—Mattel has an engaging portfolio of owned brands such as *MEGA BLOKS*, *Uno*, *Enchantimals*, *Monster High*, *Polly Pocket*, *Fireman Sam*, and *Matchbox*.

  Partner Brands—Mattel brings top entertainment properties to life through innovative toy design, in partnership with Disney (*CARS*, *Mickey Mouse Clubhouse*), WWE Wrestling, Nickelodeon (*Shimmer and Shine*, *Blaze and the Monster Machines*), *DC Comics* (*Batman*, *DC Super Hero Girls*), Warner Brothers (*Jurassic World*), Universal (*Fast and Furious*) and Mojang (*Minecraft*).

Mattel's vision is to "inspire the wonder of childhood as the global leader in learning and development through play." In order to deliver on this vision, Mattel is focused on the following five-pillar strategy:

- Build Mattel's Power Brands into connected 360-degree play systems and experiences;
- Accelerate emerging markets growth with digital-first solutions;
- Focus and strengthen Mattel's innovation portfolio;
- Reshape Mattel's operations to enable this strategy - leaner, faster, and smarter - via commercial realignment, supply chain transformation and IT transformation; and
- Reignite Mattel's culture and team.

Results of Operations—Second Quarter

Consolidated Results

Net sales for the second quarter of 2018 were $840.7 million, a 14% decrease, as compared to $974.5 million in the second quarter of 2017. Net sales for the second quarter of 2018 were negatively impacted by lower Toys "R" Us sales as a result of its liquidation, primarily in the U.S. Net loss for the second quarter of 2018 was $240.9 million, or $0.70 per diluted share, as compared to a net loss of $56.1 million, or $0.16 per diluted share, in the second quarter of 2017. Net loss for the second quarter of 2018 was negatively impacted by lower gross profit, lower net sales, and higher interest expense.

The following table provides a summary of Mattel's consolidated results for the second quarter of 2018 and 2017:

	For the Three Months Ended					
	June 30, 2018		June 30, 2017		Year/Year Change	
	Amount	% of Net Sales	Amount	% of Net Sales	%	Basis Points of Net Sales
	(In millions, except percentage and basis point information)					
Net sales	$ 840.7	100.0 %	$ 974.5	100.0 %	-14 %	—
Gross profit	$ 253.2	30.1 %	$ 399.7	41.0 %	-37 %	-1,090
Advertising and promotion expenses	82.4	9.8 %	95.5	9.8 %	-14 %	—
Other selling and administrative expenses	360.0	42.8 %	353.2	36.2 %	2 %	660
Operating loss	(189.2)	-22.5 %	(49.0)	-5.0 %	286 %	-1,750
Interest expense	43.5	5.2 %	21.9	2.2 %	99 %	300
Interest (income)	(1.7)	-0.2 %	(2.3)	-0.2 %	-26 %	—
Other non-operating expense, net	3.1		5.1			—
Loss before income taxes	$ (234.0)	-27.8 %	$ (73.7)	-7.6 %	217 %	-2,020

Sales

Net sales for the second quarter of 2018 were $840.7 million, a 14% decrease, as compared to $974.5 million in the second quarter of 2017.

The following table provides a summary of Mattel's consolidated gross sales by brand for the second quarter of 2018 and 2017:

	For the Three Months Ended			
	June 30, 2018	June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Power Brands				
Barbie	$ 170.7	$ 152.2	12 %	— %
Hot Wheels	167.3	138.4	21 %	-1 %
Fisher-Price and Thomas & Friends	236.2	275.9	-14 %	1 %
American Girl	45.2	67.3	-33 %	— %
Total Power Brands	619.4	633.8	-2 %	— %
Toy Box				
Owned Brands	159.9	176.8	-10 %	— %
Partner Brands	174.7	258.0	-32 %	— %
Total Toy Box	334.7	434.7	-23 %	— %
Total Gross Sales	954.1	1,068.5	-11 %	— %
Sales Adjustments	113.4	94.0		
Total Net Sales	$ 840.7	$ 974.5	-14 %	— %

Gross sales were $954.1 million in the second quarter of 2018, a decrease of $114.4 million or 11%, as compared to $1.07 billion in the second quarter of 2017, and included a negative impact from Toys "R" Us of 10%. The decrease in gross sales was due to declines in both Toy Box and Power Brands.

The 2% decrease in Power Brands gross sales was due to lower sales of *American Girl* and *Fisher-Price* and *Thomas & Friends* products, substantially offset by higher sales of *Hot Wheels* and *Barbie* products. The 33% decrease in *American Girl* gross sales was due to lower sales across channels and the sale of Corolle in the first quarter of 2018. Of the 14% decrease in *Fisher-Price* and *Thomas & Friends* gross sales, 10% was due to lower sales of Fisher-Price infant products. The 21% increase in *Hot Wheels* was primarily driven by higher sales of diecast cars. The 12% increase in *Barbie* gross sales was primarily driven by positive POS brand momentum.

The 23% decrease in Toy Box gross sales was due to lower sales of both Toy Box Partner Brands and Toy Box Owned Brands. Of the 32% decrease in Toy Box Partner Brands gross sales, 44% was due to lower sales of *CARS* products and 5% was due to lower sales of *DC Comics* girls products, partially offset by initial sales of *Jurassic World* products of 22%. Of the 10% decrease in Toy Box Owned Brands gross sales, 10% was due to lower sales of *MEGA BLOKS* products, 3% was due to lower sales of *Monster High* products, and 3% was due to lower sales of owned action figure products, partially offset by higher sales of *Enchantimals* products of 11%.

Cost of Sales

Cost of sales as a percentage of net sales was 69.9% in the second quarter of 2018, as compared to 59.0% in the second quarter of 2017. Cost of sales increased by $12.7 million, or 2%, to $587.5 million in the second quarter of 2018 from $574.8 million in the second quarter of 2017, as compared to a 14% decrease in net sales. Within cost of sales, freight and logistics expenses increased by $8.0 million, or 12%, to $76.7 million in the second quarter of 2018 from $68.7 million in the second quarter of 2017; product and other costs increased by $5.3 million, or 1%, to $456.6 million in the second quarter of 2018 from $451.3 million in the second quarter of 2017; and royalty expense decreased by $0.6 million, or 1%, to $54.2 million in the second quarter of 2018 from $54.8 million in the second quarter of 2017.

Gross Margin

Gross margin decreased to 30.1% in the second quarter of 2018 from 41.0% in the second quarter of 2017. The decrease in gross margin was primarily driven by higher product-related costs, higher obsolescence expense, a higher sales adjustments rate, unfavorable foreign exchange, and higher freight and logistics expenses.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily consist of: (i) media costs, which primarily include the media, planning, and buying fees for television, print, and online advertisements, (ii) non-media costs, which primarily include commercial and website production, merchandising, and promotional costs, (iii) retail advertising costs, which primarily include consumer direct catalogs, newspaper inserts, fliers, and mailers, and (iv) generic advertising costs, which primarily include trade show costs. Advertising and promotion expenses as a percentage of net sales in the second quarter of 2018 was 9.8%, or flat as compared to the second quarter 2017.

Other Selling and Administrative Expenses

Other selling and administrative expenses were $360.0 million, or 42.8% of net sales, in the second quarter of 2018, as compared to $353.2 million, or 36.2% of net sales, in the second quarter of 2017. The increase in other selling and administrative expenses was primarily due to higher severance and restructuring costs of approximately $42 million, partially offset by Structural Simplification savings of approximately $29 million and lower incentive and equity compensation expenses of approximately $9 million.

Interest Expense

Interest expense was $43.5 million in the second quarter of 2018, as compared to $21.9 million in the second quarter of 2017. The increase in interest expense was due to higher interest rates and outstanding debt levels.

Provision for Income Taxes

Mattel’s provision for income taxes for the three months ended June 30, 2018 was $6.9 million, as compared to a benefit from income taxes of $17.7 million for the three months ended June 30, 2017. Mattel recognized net discrete tax benefits of $2.3 million and $3.2 million during the three months ended June 30, 2018 and 2017, respectively, primarily related to reassessments of prior years’ tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. In the third quarter of 2017, Mattel established a valuation allowance on its U.S. deferred tax assets and continues to maintain a valuation allowance on its U.S. deferred tax assets. Therefore, Mattel's 2018 tax expense or benefit is primarily driven by income or loss in taxable jurisdictions outside the U.S.

North America Segment

The following table provides a summary of Mattel's gross sales by brand for the North America segment for the second quarter of 2018 and 2017:

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Power Brands				
Barbie	$ 69.2	$ 67.5	2 %	—%
Hot Wheels	70.8	55.5	28 %	1%
Fisher-Price and Thomas & Friends	128.5	150.9	-15 %	—%
Total Power Brands	268.4	273.9	-2 %	—%
Toy Box				
Owned Brands	79.9	96.9	-18 %	—%
Partner Brands	94.5	136.4	-31 %	—%
Total Toy Box	174.5	233.3	-25 %	—%
Total Gross Sales	442.9	507.3	-13 %	—%
Sales Adjustments	30.2	24.7		
Total Net Sales	$ 412.7	$ 482.6	-14 %	1%

Gross sales for the North America segment were $442.9 million in the second quarter of 2018, a decrease of $64.4 million, or 13%, as compared to $507.3 million in the second quarter of 2017, and included a negative impact from Toys "R" Us of 20%. The decrease in North America segment gross sales was due to declines in both Toy Box and Power Brands sales.

The 2% decrease in Power Brands gross sales was due to lower sales of *Fisher-Price* and *Thomas & Friends* products, substantially offset by higher sales of *Hot Wheels* products. Of the 15% decrease in *Fisher-Price* and *Thomas & Friends* gross sales, 8% was due to lower sales of Fisher-Price infant products, 4% was due to lower sales of *Little People* products, and 4% was due to lower sales of *Thomas & Friends* products. The 28% increase in *Hot Wheels* gross sales was primarily driven by higher sales of diecast cars.

The 25% decrease in Toy Box gross sales was due to lower sales of both Toy Box Partner Brands and Toy Box Owned Brands. Of the 31% decrease in Toy Box Partner Brands gross sales, 40% was due to lower sales of *CARS* products and 6% was due to lower sales of *DC Comics* girls products, partially offset by initial sales of *Jurassic World* products of 21%. Of the 18% decrease in Toy Box Owned Brands gross sales, 8% was due to lower sales of *MEGA BLOKS* products and 4% was due to lower sales of *Monster High* products.

Cost of sales remained flat in the second quarter of 2018, as compared to a 14% decrease in net sales, primarily due to higher obsolescence expense and higher freight and logistics expenses. Gross margin in the second quarter of 2018 decreased due to higher obsolescence expense, higher product-related costs, and higher freight and logistics expenses.

North America segment loss was $25.9 million in the second quarter of 2018, as compared to segment income of $42.7 million in the second quarter of 2017, primarily due to lower gross profit and lower net sales.

International Segment

The following table provides a summary of percentage changes in net sales within the International segment in the second quarter of 2018 versus 2017:

	% Change in Net Sales as Reported	Currency Exchange Rate Impact
Total International Segment (a)	-10 %	— %
Europe	-8 %	5 %
Latin America	-1 %	-8 %
Global Emerging Markets	-19 %	— %

The following table provides a summary of percentage changes in gross sales within the International segment in the second quarter of 2018 versus 2017:

	% Change in Gross Sales as Reported	Currency Exchange Rate Impact
Total International Segment (a)	-5 %	— %
Europe	-4 %	5 %
Latin America	3 %	-9 %
Global Emerging Markets	-13 %	— %

(a) *Mattel reorganized its regional reporting structure in the first quarter of 2018. As a result, Global Emerging Markets, which was previously disclosed as Asia Pacific, includes Russia, Turkey, the Middle East, and Africa, which were previously included within Europe. Prior period amounts have been reclassified to conform to the current period presentation.*

The following table provides a summary of Mattel's gross sales by brand for the International segment for the second quarter of 2018 and 2017:

	For the Three Months Ended			
	June 30, 2018	June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Power Brands				
Barbie	$ 101.6	$ 84.6	20 %	— %
Hot Wheels	96.5	82.9	16 %	-3 %
Fisher-Price and Thomas & Friends	107.7	125.1	-14 %	— %
American Girl	0.8	—		
Total Power Brands	306.6	292.6	5 %	— %
Toy Box				
Owned Brands	79.9	79.6	— %	— %
Partner Brands	80.2	121.6	-34 %	— %
Total Toy Box	160.1	201.2	-20 %	1 %
Total Gross Sales	466.7	493.7	-5 %	— %
Sales Adjustments	81.9	65.0		
Total Net Sales	$ 384.8	$ 428.7	-10 %	— %

Gross sales for the International segment were $466.7 million in the second quarter of 2018, a decrease of $27 million, or 5%, as compared to $493.7 million in the second quarter of 2017, and included a negative impact from Toys "R" Us of 3%. The decrease in International segment gross sales was driven by lower Toy Box sales, partially offset by higher Power Brands sales.

The 5% increase in Power Brands gross sales was due to higher sales of *Barbie* and *Hot Wheels* products, substantially offset by lower sales of *Fisher-Price* and *Thomas & Friends* products. The 20% increase in *Barbie* gross sales was primarily driven by positive POS brand momentum. The 16% increase in *Hot Wheels* gross sales was primarily driven by higher sales of diecast cars. Of the 14% decrease in *Fisher-Price* and *Thomas & Friends* gross sales, 12% was due to lower sales of Fisher-Price infant products.

The 20% decrease in Toy Box Brands gross sales was primarily due to lower sales of Toy Box Partner Brands. Of the 34% decrease in Toy Box Partner Brands gross sales, 48% was due to lower sales of *CARS* products and 4% was due to lower sales of *DC Comics* girls products, partially offset by initial sales of *Jurassic World* products of 22%.

Cost of sales increased 6% in the second quarter of 2018, as compared to a 10% decrease in net sales, primarily due to higher product and other costs. Gross margin in the second quarter of 2018 decreased as a result of a higher sales adjustments rate, unfavorable foreign exchange, and higher product-related costs.

International segment loss was $49.7 million in the second quarter of 2018, as compared to a segment loss of $8.3 million in the second quarter of 2017, primarily due to lower gross profit and lower net sales.

American Girl Segment

The following table provides a summary of the American Girl segment's gross sales for the second quarter of 2018 and 2017:

	For the Three Months Ended			
	June 30, 2018	June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
American Girl Segment:				
Total Gross Sales	$ 44.6	$ 67.5	-34 %	—%
Sales Adjustments	1.4	4.3		
Total Net Sales	$ 43.2	$ 63.2	-32 %	—%

Gross sales for the American Girl segment were $44.6 million in the second quarter of 2018, a decrease of $22.9 million, or 34%, as compared to $67.5 million in the second quarter of 2017. The 34% decrease in *American Girl* gross sales was due to lower sales across channels and the sale of Corolle in the first quarter of 2018.

Cost of sales decreased 29% in the second quarter of 2018, as compared to a 32% decrease in net sales. Gross margin in the second quarter of 2018 decreased as a result of higher freight and logistics expenses.

American Girl segment loss was $16.2 million in the second quarter of 2018, as compared to a segment loss of $18.2 million in the second quarter of 2017, primarily due to lower other selling and administrative expenses, partially offset by lower gross profit and lower net sales.

Results of Operations—First Half

Consolidated Results

Net sales for the first half of 2018 were $1.55 billion, a 9% decrease, as compared to $1.71 billion in the first half of 2017. Net sales for the first half of 2018 were negatively impacted by lower Toys "R" Us sales as a result of its liquidation, primarily in the U.S., and the reversal of net sales which occurred in the first quarter of 2018 of approximately $30 million. Gross margin in the first half of 2018 excludes these net sales, but includes the corresponding cost of sales for the inventory sold to Toys "R" Us. In addition, Mattel recorded bad debt expense, net related to outstanding Toys "R" Us receivables as of December 31, 2017 of approximately $50 million within other selling and administrative expenses. Net loss for the first half of 2018 was $552.2 million, or $1.60 per diluted share, as compared to net loss of $169.3 million, or $0.49 per diluted share, in the first half of 2017. Net loss for the first half of 2018 was negatively impacted by lower gross profit, lower net sales, higher other selling and administrative expenses, and higher interest expense.

The following table provides a summary of Mattel's consolidated results for the first half of 2018 and 2017:

	For the Six Months Ended					
	June 30, 2018		June 30, 2017		Year/Year Change	
	Amount	% of Net Sales	Amount	% of Net Sales	%	Basis Points of Net Sales
	(In millions, except percentage and basis point information)					
Net sales	$ 1,549.1	100.0 %	$ 1,710.1	100.0 %	-9 %	—
Gross profit	$ 472.1	30.5 %	$ 678.5	39.7 %	-30 %	-920
Advertising and promotion expenses	153.2	9.9 %	169.1	9.9 %	-9 %	—
Other selling and administrative expenses	784.6	50.6 %	684.0	40.0 %	15 %	1,060
Operating loss	(465.8)	-30.1 %	(174.6)	-10.2 %	167 %	-1,990
Interest expense	84.5	5.5 %	43.9	2.6 %	93 %	290
Interest (income)	(4.8)	-0.3 %	(4.8)	-0.3 %	2 %	—
Other non-operating expense, net	2.5		5.7			—
Loss before income taxes	$ (547.9)	-35.4 %	$ (219.4)	-12.8 %	150 %	-2,260

Sales

Net sales for the first half of 2018 were $1.55 billion, a 9% decrease, as compared to $1.71 billion in the first half of 2017.

The following table provides a summary of Mattel's consolidated gross sales by brand results for the first half of 2018 and 2017:

	For the Six Months Ended			
	June 30, 2018	June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Power Brands				
Barbie	$ 323.4	$ 275.6	17 %	2%
Hot Wheels	312.2	264.1	18 %	1%
Fisher-Price and Thomas & Friends	424.0	481.0	-12 %	1%
American Girl	112.6	153.1	-26 %	1%
Total Power Brands	1,172.3	1,173.7	— %	2%
Toy Box				
Owned Brands	290.6	316.2	-8 %	2%
Partner Brands	291.2	393.2	-26 %	1%
Total Toy Box	581.8	709.4	-18 %	1%
Total Gross Sales	1,754.1	1,883.1	-7 %	1%
Sales Adjustments	205.0	173.0		
Total Net Sales	$ 1,549.1	$ 1,710.1	-9 %	2%

Gross sales were $1.75 billion in the first half of 2018, a decrease of $129.0 million or 7%, as compared to $1.88 billion in the first half of 2017, with a favorable impact from changes in currency exchange rates of 1 percentage point. The decrease in gross sales was primarily a result of lower Toy Box sales and included a negative impact from Toys "R" Us of 8%, including the reversal of approximately $30 million of gross sales in the first quarter of 2018.

Power Brands gross sales in the first half of 2018 were flat as compared to the first half of 2017 due to lower sales of *American Girl* products and *Fisher-Price* and *Thomas & Friends* products, offset by higher sales of *Hot Wheels* and *Barbie* products. The 26% decrease in *American Girl* gross sales was due to lower sales across channels and the sale of Corolle in the first quarter of 2018. Of the 12% decrease in *Fisher-Price* and *Thomas & Friends* gross sales, 7% was due to lower sales of Fisher-Price infant products, and 4% was due to lower sales of *Thomas & Friends* products. The 18% increase in *Hot Wheels* was primarily driven by higher sales of diecast cars, and tracks and playsets products. The 17% increase in *Barbie* gross sales was primarily driven by positive POS brand momentum and the introduction of new content and product lines.

The 18% decrease in Toy Box gross sales was primarily due to lower sales of Toy Box Partner Brands. Of the 26% decrease in Toy Box Partner Brands gross sales, 30% was due to lower sales of *CARS* products and 5% was due to lower sales of *DC Comics* girls products, partially offset by initial sales of *Jurassic World* products of 17%.

Cost of Sales

Cost of sales as a percentage of net sales was 69.5% in the first half of 2018, as compared to 60.3% in the first half of 2017. Cost of sales increased by $45.4 million, or 4%, to $1.08 billion in the first half of 2018 from $1.03 billion in the first half of 2017, as compared to a 9% decrease in net sales. Within cost of sales, freight and logistics expenses increased by $20.4 million, or 16%, to $151.2 million in the first half of 2018 from $130.8 million in the first half of 2017; product and other costs increased by $19.3 million, or 2%, to $836.8 million in the first half of 2018 from $817.5 million in the first half of 2017; and royalty expense increased by $5.7 million, or 7%, to $88.9 million in the first half of 2018 from $83.2 million in the first half of 2017.

Gross Margin

Gross margin decreased to 30.5% in the first half of 2018 from 39.7% in the first half of 2017. The decrease in gross margin was due to higher product-related costs, higher freight and logistics expenses, higher obsolescence expense, and an unfavorable impact from the Toys "R" Us liquidation. As a result of the Toys "R" Us net sales reversal, gross margin includes the cost of sales for the inventory sold, but excludes the corresponding net sales.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily consist of: (i) media costs, which primarily include the media, planning, and buying fees for television, print, and online advertisements, (ii) non-media costs, which primarily include commercial and website production, merchandising, and promotional costs, (iii) retail advertising costs, which primarily include consumer direct catalogs, newspaper inserts, fliers, and mailers, and (iv) generic advertising costs, which primarily include trade show costs. Advertising and promotion expenses as a percentage of net sales in the first half of 2018 was 9.9%, or flat as compared to the first half of 2017.

Other Selling and Administrative Expenses

Other selling and administrative expenses were $784.6 million, or 50.6% of net sales, in the first half of 2018, as compared to $684.0 million, or 40.0% of net sales, in the first half of 2017. The increase in other selling and administrative expenses was primarily due to higher severance and restructuring costs of approximately $64 million and bad debt expense, net of approximately $50 million related to the Toys "R" Us liquidation, partially offset by Structural Simplification savings of approximately $41 million.

Interest Expense

Interest expense was $84.5 million in the first half of 2018, as compared to $43.9 million in the first half of 2017. The increase in interest expense was due to higher interest rates and outstanding debt levels.

Provision for Income Taxes

Mattel’s provision for income taxes for the six months ended June 30, 2018 was $4.3 million, as compared to a benefit from income taxes of $50.1 million for the six months ended June 30, 2017. Mattel recognized a net discrete tax expense of $2.2 million during the six months ended June 30, 2018, as compared to a net discrete tax benefit of $2.7 million for the six months ended June 30, 2017, primarily related to reassessments of prior years’ tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. In the third quarter of 2017, Mattel established a valuation allowance on its U.S. deferred tax assets and continues to maintain a valuation allowance on its U.S. deferred tax assets. Therefore, Mattel's 2018 tax expense or benefit is primarily driven by income or loss in taxable jurisdictions outside the U.S.

North America Segment

The following table provides a summary of Mattel's gross sales by brand for the North America segment for the first half of 2018 and 2017:

	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Power Brands				
Barbie	$ 129.6	$ 114.4	13 %	—%
Hot Wheels	134.3	109.0	23 %	—%
Fisher-Price and Thomas & Friends	228.3	259.8	-12 %	—%
Total Power Brands	492.3	483.3	2 %	—%
Toy Box				
Owned Brands	137.1	168.2	-18 %	1%
Partner Brands	161.9	218.1	-26 %	—%
Total Toy Box	299.0	386.3	-23 %	—%
Total Gross Sales	791.3	869.6	-9 %	—%
Sales Adjustments	52.4	44.8		
Total Net Sales	$ 738.9	$ 824.8	-10 %	1%

Gross sales for the North America segment were $791.3 million in the first half of 2018, a decrease of $78.3 million, or 9%, as compared to $869.6 million in the first half of 2017. The decrease in gross sales was primarily a result of lower Toy Box sales and included a negative impact from Toys "R" Us of 14%, including the reversal of approximately $27 million of gross sales in the first quarter of 2018.

Despite significantly lower Toys "R" Us sales, Power Brands gross sales increased 2% due to higher sales of *Hot Wheels* and *Barbie* products, substantially offset by lower sales of *Fisher-Price* and *Thomas & Friends* products. The 23% increase in *Hot Wheels* was primarily driven by higher sales of diecast cars and tracks and playsets products. The 13% increase in *Barbie* gross sales was primarily driven by positive POS brand momentum and the introduction of new product lines. Of the 12% decrease in *Fisher-Price* and *Thomas & Friends* gross sales, 6% was due to lower sales of Fisher-Price infant products and 4% was due to lower sales of *Thomas & Friends* products.

The 23% decrease in Toy Box gross sales was due to lower sales of both Toy Box Partner Brands and Toy Box Owned Brands. Of the 26% decrease in Toy Box Partner Brands gross sales, 29% was due to lower sales of *CARS* products and 7% was due to lower sales of *DC Comics* girls products, partially offset by initial sales of *Jurassic World* products of 16%. Of the 18% decrease in Toy Box Owned Brands gross sales, 8% was due to lower sales of *MEGA BLOKS* products, 5% was due to lower sales of *Monster High* products, and 4% was due to lower sales of *Power Wheels* products.

Cost of sales increased 5% in the first half of 2018, as compared to a 10% decrease in net sales, primarily due to higher freight and logistics expenses and higher product and other costs. Gross margin in the first half of 2018 decreased due to higher freight and logistics expenses, an unfavorable impact from the Toys "R" Us liquidation, higher obsolescence expense, and higher product-related costs. As a result of the Toys "R" Us net sales reversal, gross margin includes the cost of sales for the inventory sold, but excludes the corresponding net sales.

North America segment loss was $132.7 million in the first half of 2018, as compared to segment income of $23.4 million in the first half of 2017, primarily due to lower gross profit and higher other selling and administrative expenses.

International Segment

The following table provides a summary of percentage changes in net sales within the International segment in the first half of 2018 versus 2017:

	% Change in Net Sales as Reported	Currency Exchange Rate Impact
Total International Segment (a)	-5 %	3 %
Europe	-2 %	9 %
Latin America	1 %	-5 %
Global Emerging Markets	-12 %	1 %

The following table provides a summary of percentage changes in gross sales within the International segment in the first half of 2018 versus 2017:

	% Change in Gross Sales as Reported	Currency Exchange Rate Impact
Total International Segment (a)	-1 %	3 %
Europe	1 %	9 %
Latin America	4 %	-5 %
Global Emerging Markets	-7 %	2 %

(a) Mattel reorganized its regional reporting structure in the first quarter of 2018. As a result, Global Emerging Markets, which was previously disclosed as Asia Pacific, includes Russia, Turkey, the Middle East, and Africa, which were previously included within Europe. Prior period amounts have been reclassified to conform to the current period presentation.

The following table provides a summary of Mattel's gross sales by brand for the International segment for the first half of 2018 and 2017:

	For the Six Months Ended			
	June 30, 2018	June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Power Brands				
Barbie	$ 193.8	$ 161.1	20 %	4%
Hot Wheels	178.0	155.0	15 %	2%
Fisher-Price and Thomas & Friends	195.6	221.2	-12 %	3%
American Girl	0.8	—		
Total Power Brands	568.2	537.3	6 %	3%
Toy Box				
Owned Brands	153.4	147.7	4 %	4%
Partner Brands	129.3	175.1	-26 %	2%
Total Toy Box	282.6	322.8	-12 %	4%
Total Gross Sales	850.8	860.0	-1 %	3%
Sales Adjustments	148.8	119.8		
Total Net Sales	$ 702.0	$ 740.2	-5 %	3%

Gross sales for the International segment were $850.8 million in the first half of 2018, a decrease of $9.2 million, or 1%, as compared to $860.0 million in the first half of 2017. The decrease in the International segment gross sales was driven by lower Toy Box sales, partially offset by higher Power Brands sales, and included a negative impact from Toys "R" Us of 3%.

The 6% increase in Power Brands gross sales was due to higher sales of *Barbie* and *Hot Wheels* products, partially offset by lower sales of *Fisher-Price* and *Thomas & Friends* products. The 20% increase in *Barbie* gross sales was primarily driven by positive POS brand momentum and the introduction of new product lines. The 15% increase in *Hot Wheels* was primarily driven by higher sales of diecast cars and tracks and playsets products. Of the 12% decrease in *Fisher-Price* and *Thomas & Friends* products, 8% was due to lower sales of Fisher-Price infant products, and 4% was due to lower sales of *Thomas & Friends* products.

The 12% decrease in Toy Box Brands was due to lower sales of Toy Box Partner Brands. Of the 26% decrease in Toy Box Partner Brands gross sales, 31% was due to lower sales of *CARS* products and 5% was due to lower sales of *DC Comics* girls products, partially offset by initial sales of *Jurassic World* products of 17%.

Cost of sales increased 14% in the first half of 2018, as compared to a 5% decrease in net sales, primarily due to higher product and other costs and higher royalty expense. Gross margin in the first half of 2018 decreased as a result of unfavorable foreign exchange, higher product-related costs, and a higher sales adjustments rate.

International segment loss was $122.0 million in the first half of 2018, as compared to a segment loss of $33.2 million in the first half of 2017, driven primarily by lower gross profit.

American Girl Segment

The following table provides a summary of Mattel's gross sales by brand for the American Girl segment for the first half of 2018 and 2017:

	For the Six Months Ended			
	June 30, 2018	June 30, 2017	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
American Girl Segment:				
Total Gross Sales	$ 112.0	$ 153.5	-27 %	—%
Sales Adjustments	3.9	8.4		
Total Net Sales	$ 108.2	$ 145.1	-25 %	1%

Gross sales for the American Girl segment were $112.0 million in the first half of 2018, a decrease of $41.5 million, or 27%, as compared to $153.5 million in the first half of 2017. The decrease in *American Girl* gross sales was due to lower sales across channels and the sale of Corolle in the first quarter of 2018.

Cost of sales decreased 24% in the first half of 2018, as compared to a 25% decrease in net sales. Gross margin in the first half of 2018 was flat, as compared to the first half of 2017.

American Girl segment loss was $31.1 million in the first half of 2018, as compared to a segment loss of $24.0 million in the first half of 2017, driven primarily by lower gross profit, partially offset by lower other selling and administrative expenses.

Structural Simplification Cost Savings Program

During the third quarter of 2017, Mattel initiated its Structural Simplification Cost Savings program, with plans to target at least $650 million in net cost savings by 2020.

The major initiatives of the Structural Simplification Cost Savings program include:

- Reducing manufacturing complexity, including SKU reduction, and implementing process improvement initiatives at owned and co-manufacturing facilities;
- Streamlining the organizational structure and reducing headcount expense to better align with the revenue base; and
- Optimizing advertising spend.

Mattel realized cost savings (before severance and investments) of approximately $42 million within other selling and administrative expenses during the six months ended June 30, 2018. Although cost savings continue to be realized, raw material cost inflation and foreign exchange volatility are now expected to be much higher than initially projected and what has been experienced in recent years. Mattel continues to assess opportunities for additional savings through its expanded scope of work to optimize the manufacturing footprint and supply chain.

In connection with the Structural Simplification Cost Savings program, Mattel recorded severance and other restructuring charges of $47.8 million and $72.7 million during the three and six months ended June 30, 2018, respectively, within other selling and administrative expenses in the consolidated statements of operations. To date, Mattel has recorded cumulative severance and other restructuring charges of $117.8 million and expects to incur total charges of approximately $200 million related to the Structural Simplification Cost Savings program.

Income Taxes

Mattel’s provision for income taxes was $6.9 million and $4.3 million for the three and six months ended June 30, 2018, respectively, as compared to a benefit for income taxes of $17.7 million and $50.1 million for the three and six months ended June 30, 2017, respectively. Mattel recognized a net discrete tax benefit of $2.3 million and a net discrete tax expense of $2.2 million for the three and six months ended June 30, 2018, respectively, as compared to a net discrete tax benefit of $3.2 million and $2.7 million for the three and six months ended June 30, 2017, respectively, primarily related to reassessments of prior years' tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. In the third quarter of 2017, Mattel established a valuation allowance on its U.S. deferred tax assets and continues to maintain a valuation allowance on its U.S. deferred tax assets. Therefore, Mattel’s 2018 tax expense or benefit is driven by income or loss in taxable jurisdictions outside the U.S.

In the normal course of business, Mattel is regularly audited by federal, state, and foreign tax authorities. Based on the current status of federal, state, and foreign audits, Mattel believes it is reasonably possible that in the next twelve months, the total unrecognized tax benefits could decrease by approximately $25 million related to the settlement of tax audits and/or the expiration of statutes of limitations. The ultimate settlement of any issue with the applicable taxing authority could have a material impact on Mattel’s consolidated financial statements.

As of December 31, 2017, Mattel reasonably estimated and recorded provisional adjustments associated with the impact of the corporate tax rate change. Mattel has not made any additional measurement-period adjustments related to these items during the first six months of 2018. Mattel continues to gather additional information to complete the accounting for these items and will complete our accounting within the prescribed measurement period.

Mattel has not yet been able to reasonably estimate the impact of the deemed repatriation of accumulated foreign earnings and no provisional adjustments were recorded as of June 30, 2018. Mattel is continuing to evaluate the impact of this provision of the Tax Act and will complete the accounting for this item within the prescribed measurement period.

On January 1, 2018, Mattel adopted ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which required Mattel to recognize the income tax effects of intercompany sales and transfers of assets other than inventory in the period in which the transfer occurs. Previously, the income tax effect of intercompany transfers of assets was deferred until the asset was sold to an outside party or otherwise recognized (e.g., depreciated, amortized, impaired). The new guidance requires Mattel to defer only the income tax effects of intercompany transfers of inventory. A cumulative effect adjustment of approximately $9 million was recorded as an increase to beginning retained earnings in the first quarter of 2018.

Liquidity and Capital Resources

Mattel’s primary sources of liquidity are its cash and equivalents balances, access to short-term borrowing facilities, including its $1.60 billion senior secured revolving credit facilities ("the new senior secured revolving credit facilities"), and issuances of long-term debt securities. Cash flows from operating activities could be negatively impacted by decreased demand for Mattel’s products, which could result from factors such as adverse economic conditions and changes in public and consumer preferences, or by increased costs associated with manufacturing and distribution of products or shortages in raw materials or component parts. Additionally, Mattel’s ability to issue long-term debt and obtain seasonal financing could be adversely affected by factors such as global economic crises and tight credit environments, an inability to meet its debt covenant requirements and its new senior secured revolving credit facility covenants, or a deterioration of Mattel’s credit ratings. Mattel’s ability to conduct its operations could be negatively impacted should these or other adverse conditions affect its primary sources of liquidity.

Of Mattel’s $228.6 million in cash and equivalents as of June 30, 2018, approximately $211 million is held by foreign subsidiaries. Mattel has several liquidity options to fund its operations and obligations; such obligations may include investing and financing activities such as debt service, dividends, and share repurchases. Cash flows generated annually by its worldwide operations, the new senior secured revolving credit facilities, alternative forms of financing, and access to both public and private debt are available to fund domestic operations and obligations.

U.S. Tax Reform, enacted on December 22, 2017, will provide Mattel with greater access to earnings of its foreign subsidiaries, and Mattel may re-evaluate the intentions related to the indefinite reinvestment assertion. U.S. Tax Reform does impose a one-time transition tax on the deemed repatriation of the historical earnings of Mattel’s foreign subsidiaries. Mattel has significant deferred tax assets which can be used to reduce the one-time repatriation tax and therefore, does not expect the one time repatriation tax to be material to either its cash flows or liquidity.

In October 2017, Mattel's Board of Directors determined to suspend Mattel's quarterly dividend beginning in the fourth quarter of 2017 in order to increase financial flexibility, strengthen the balance sheet, and facilitate strategic investments.

Current Market Conditions

Mattel is exposed to financial market risk resulting from changes in interest and foreign currency exchange rates. Mattel believes that it has sufficient liquidity to fund its business needs, including beginning of year cash and equivalents, cash flows from operations, and access to its new senior secured revolving credit facilities, which it uses for seasonal working capital requirements.

Subject to market conditions, Mattel intends to utilize its new senior secured revolving credit facilities or alternative forms of financing to meet its short-term liquidity needs. As of June 30, 2018, there was $80.0 million outstanding under the new senior secured revolving credit facilities. Market conditions could affect certain terms of other debt instruments that Mattel enters into from time to time.

Mattel monitors the third-party depository institutions that hold its cash and equivalents. Mattel’s emphasis is primarily on safety and liquidity of principal, and secondarily on maximizing the yield on those funds. Mattel diversifies its cash and equivalents among counterparties and securities to minimize risks.

Mattel is subject to credit risks relating to the ability of its counterparties in hedging transactions to meet their contractual payment obligations. The risks related to creditworthiness and nonperformance have been considered in the fair value measurements of Mattel’s foreign currency forward exchange contracts. Mattel closely monitors its counterparties and takes action, as necessary, to manage its counterparty credit risk.

Mattel expects that some of its customers and vendors may experience difficulty in obtaining the liquidity required to buy inventory or raw materials. Mattel monitors its customers’ financial condition and liquidity in order to mitigate Mattel’s accounts receivable collectibility risks, and customer terms and credit limits are adjusted, if necessary. Additionally, Mattel uses a variety of financial arrangements to ensure collectibility of accounts receivable of customers deemed to be a credit risk, including requiring letters of credit, factoring, purchasing various forms of credit insurance with unrelated third parties, or requiring cash in advance of shipment. As a result of the Toys "R" Us liquidation, Mattel wrote off approximately $87 million of accounts receivable in the first quarter of 2018 as collectibility was not considered probable as of March 31, 2018. Mattel had net recoveries of approximately $7 million of previously reserved Toys "R" Us accounts receivable in the quarter ended June 30, 2018.

Mattel sponsors defined benefit pension plans and postretirement benefit plans for its employees. Actual returns below the expected rate of return, along with changes in interest rates that affect the measurement of the liability, would impact the amount and timing of Mattel’s future contributions to these plans.

Operating Activities

Cash flows used for operating activities were $556.6 million in the first six months of 2018, as compared to $549.1 million in the first six months of 2017. The cash flows used for operating activities increased primarily due to a higher net loss, excluding the impact of non-cash charges, partially offset by lower working capital usage.

Investing Activities

Cash flows used for investing activities were $85.2 million in the first six months of 2018, as compared to $106.2 million in the first six months of 2017. The decrease in cash flows used for investing activities was primarily driven by lower capital spending, partially offset by payments made for foreign currency forward exchange contracts in the first six months of 2018.

Financing Activities

Cash flows used for financing activities were $198.0 million in the first six months of 2018, as compared to cash flows provided by financing activities of $51.5 million in the first six months of 2017. The change in cash flows from financing activities was primarily driven by net repayments of long-term borrowings of $274.5 million and lower net proceeds from short-term borrowings, net of $234.6 million, partially offset by $260.4 million of dividend payments during the first six months of 2017.

Seasonal Financing

See Item 1 "Financial Statements—Note 8 to the Consolidated Financial Statements—Seasonal Financing" of this Quarterly Report on Form 10-Q.

Financial Position

Mattel's cash and equivalents decreased $850.6 million to $228.6 million at June 30, 2018, as compared to $1.08 billion at December 31, 2017. The decrease was primarily due to the net loss for the six months ended June 30, 2018, excluding non-cash charges, and net repayments of long-term borrowings of $274.5 million.

Accounts receivable decreased $348.5 million to $780.1 million at June 30, 2018, as compared to $1.13 billion at December 31, 2017, primarily due to the seasonality of Mattel's business, the write off of approximately $87 million of Toys "R" Us receivables in the first quarter of 2018, and tighter working capital management. Inventory increased $114.6 million to $715.3 million at June 30, 2018, as compared to $600.7 million at December 31, 2017, primarily due to seasonality.

Accounts payable and accrued liabilities decreased to $1.01 billion at June 30, 2018, as compared to $1.36 billion at December 31, 2017. The decrease was primarily due to the timing and amount of payments for various liabilities, including advertising and royalties.

A summary of Mattel's capitalization is as follows:

	June 30, 2018		June 30, 2017		December 31, 2017	
	(In millions, except percentage information)					
Cash and equivalents	$ 228.6		$ 275.4		$ 1,079.2	
Short-term borrowings	80.0	2%	506.8	11 %	—	—%
2010 Senior Notes due October 2020 and October 2040	500.0	14	500.0	11	500.0	11
2011 Senior Notes due November 2041	300.0	8	300.0	5	300.0	7
2013 Senior Notes due March 2018 and March 2023	250.0	7	500.0	11	500.0	11
2014 Senior Notes due May 2019	—	—	500.0	11	500.0	11
2016 Senior Notes due August 2021	350.0	10	350.0	7	350.0	8
2017/2018 Senior Notes due December 2025	1,500.0	41	—	—	1,000.0	23
Debt issuance costs and debt discount	(51.8)	—	(14.3)	—	(26.9)	—
Total debt	2,928.2	82	2,642.5	56	3,123.1	71
Stockholders' equity	664.0	18	2,067.4	44	1,257.5	29
Total capitalization (debt plus equity)	$ 3,592.2	100%	$ 4,709.9	100 %	$ 4,380.6	100%

Total debt decreased $194.9 million to $2.93 billion at June 30, 2018, as compared to $3.12 billion at December 31, 2017. The decrease was primarily driven by the repayment of $250.0 million of its 2013 Senior Notes due March 2018 and $500.0 million of its 2014 Senior Notes due May 2019, partially offset by the issuance of the 2018 Senior Notes of $500.0 million and short-term borrowings of $80.0 million.

Mattel's debt-to-total capital ratio, including short-term borrowings and long-term debt, increased to 81.5% at June 30, 2018 from 56.1% at June 30, 2017 primarily as a result of the $1.50 billion issuances of the 2017 Senior Notes in December 2017 and 2018 Senior Notes in May 2018 and lower equity driven by the net losses for the twelve months ended June 30, 2018, partially offset by debt repayments of $750.0 million in the first half of 2018.

Litigation

See Item 1 "Financial Statements—Note 22 to the Consolidated Financial Statements—Contingencies" of this Quarterly Report on Form 10-Q.

Application of Critical Accounting Policies and Estimates

Mattel’s critical accounting policies and estimates are included in its Annual Report on Form 10-K for the year ended December 31, 2017 and did not change during the first six months of 2018.

New Accounting Pronouncements

See Item 1 "Financial Statements—Note 24 to the Consolidated Financial Statements—New Accounting Pronouncements" of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

To supplement the financial results presented in accordance with U.S. GAAP, Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures that Mattel presents include currency exchange rate impact and gross sales. Mattel uses these metrics to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance. Mattel believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of Mattel's results. These measures are not, and should not be viewed as, substitutes for GAAP financial measures and may not be comparable to similarly-titled measures used by other companies.

Currency Exchange Rate Impact

The currency exchange rate impact reflects the portion (expressed as a percentage) of changes in Mattel's reported results that are attributable to fluctuations in currency exchange rates.

For entities reporting in currencies other than the U.S. dollar, Mattel calculates the percentage change of period-over-period results at constant currency exchange rates (established as described below) by translating current period and prior period results using these rates. It then determines the currency exchange rate impact percentage by calculating the difference between the percentage change at such constant currency exchange rates and the percentage change at actual exchange rates.

The constant currency exchange rates are determined by Mattel at the beginning of each year and are applied consistently during the year. They are generally different from the actual exchange rates in effect during the current or prior period due to volatility in actual foreign exchange rates. Mattel considers whether any changes to the constant currency rates are appropriate at the beginning of each year. The exchange rates used for these constant currency calculations are generally based on prior year actual exchange rates.

Mattel believes that the disclosure of the percentage impact of foreign currency changes is useful supplemental information for investors to be able to gauge Mattel’s current business performance and the longer term strength of its overall business since foreign currency changes could potentially mask underlying sales trends. The disclosure of the percentage impact of foreign exchange allows investors to calculate the impact on a constant currency basis and also enhances their ability to compare financial results from one period to another.

Gross Sales

Gross sales represent sales to customers, excluding the impact of sales adjustments. Net sales, as reported, include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross sales as a metric for comparing its aggregate, brand, and geographic results to highlight significant trends in Mattel’s business. Changes in gross sales are discussed because, while Mattel records the details of such sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with brands and individual products, making net sales less meaningful. Because sales adjustments are not allocated to individual products, net sales are only presented on a consolidated and segment basis and not on a brand level.

Since sales adjustments are determined by customer rather than at the brand level, Mattel believes that the disclosure of gross sales by brand is useful supplemental information for investors to be able to assess the performance of its underlying brands (e.g., Barbie) and also enhances their ability to compare sales trends over time.

A reconciliation from Mattel's consolidated net sales to its consolidated gross sales is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 840.7	$ 974.5	-14 %	—%
Sales adjustments	113.4	94.0		
Gross sales	$ 954.1	$ 1,068.5	-11 %	—%

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 1,549.1	$ 1,710.1	-9 %	2%
Sales adjustments	205.0	173.0		
Gross sales	$ 1,754.1	$ 1,883.1	-7 %	1%

A reconciliation from net sales to gross sales for the North America segment is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 412.7	$ 482.6	-14 %	1%
Sales adjustments	30.2	24.7		
Gross sales	$ 442.9	$ 507.3	-13 %	—%

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 738.9	$ 824.8	-10 %	1%
Sales adjustments	52.4	44.8		
Gross sales	$ 791.3	$ 869.6	-9 %	—%

A reconciliation from net sales to gross sales for the International segment is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 384.8	$ 428.7	-10 %	—%
Sales adjustments	81.9	65.0		
Gross sales	$ 466.7	$ 493.7	-5 %	—%

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 702.0	$ 740.2	-5 %	3%
Sales adjustments	148.8	119.8		
Gross sales	$ 850.8	$ 860.0	-1 %	3%

A reconciliation from net sales to gross sales for the American Girl segment is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 43.2	$ 63.2	-32 %	—%
Sales adjustments	1.4	4.3		
Gross sales	$ 44.6	$ 67.5	-34 %	—%

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2018	June 30, 2017		
	(In millions, except percentage information)			
Net sales	$ 108.2	$ 145.1	-25 %	1%
Sales adjustments	3.9	8.4		
Gross sales	$ 112.0	$ 153.5	-27 %	—%

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Rate Risk

Currency exchange rate fluctuations impact Mattel's results of operations and cash flows. Inventory transactions denominated in the Euro, Chinese renminbi, Mexican peso, Brazilian real, Canadian dollar, Australian dollar, British pound sterling, and Russian ruble are the primary transactions that caused foreign currency transaction exposure for Mattel. Mattel seeks to mitigate its exposure to market risk by monitoring its foreign currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts primarily to hedge its purchase and sale of inventory and other intercompany transactions denominated in foreign currencies. These contracts generally have maturity dates of up to 18 months. For those intercompany receivables and payables that are not hedged, the transaction gains or losses are recorded in the consolidated statements of operations in the period in which the exchange rate changes as part of operating income or other non-operating expense/income, net based on the nature of the underlying transaction. Transaction gains or losses on hedged intercompany inventory transactions are recorded in the consolidated statements of operations in the period in which the inventory is sold to customers. In addition, Mattel manages its exposure to currency exchange rate fluctuations through the selection of currencies used for international borrowings. Mattel does not trade in financial instruments for speculative purposes.

Mattel’s financial position is also impacted by currency exchange rate fluctuations on translation of its net investments in subsidiaries with non-U.S. dollar functional currencies. Assets and liabilities of subsidiaries with non-U.S. dollar functional currencies are translated into U.S. dollars at fiscal period-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the fiscal period. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders’ equity. Mattel’s primary currency translation exposures during the first six months of 2018 were related to its net investments in entities having functional currencies denominated in the Euro, Brazilian real, Russian ruble, and British pound sterling.

There are numerous factors impacting the amount by which Mattel’s financial results are affected by foreign currency translation and transaction gains and losses resulting from changes in currency exchange rates, including, but not limited to, the level of foreign currency forward exchange contracts in place at a given time and the volume of foreign currency denominated transactions in a given period. However, assuming that such factors were held constant, Mattel estimates that a 1 percent change in the U.S. dollar Trade-Weighted Index would impact Mattel’s net sales by approximately 0.5% and its earnings per share by approximately $0.00 to $0.02.

United Kingdom Operations

During June 2016, the referendum by British voters to exit the European Union ("Brexit") adversely impacted global markets and resulted in a sharp decline of the British pound sterling against the U.S. dollar. In February 2017, the British Parliament voted in favor of allowing the British government to begin the formal process of Brexit and discussions with the European Union began in March 2017. In the short-term, volatility in the British pound sterling could continue as the United Kingdom negotiates its anticipated exit from the European Union. In the longer term, any impact from Brexit on Mattel's United Kingdom operations will depend, in part, on the outcome of tariff, trade, regulatory, and other negotiations. Mattel's United Kingdom operations represented approximately 4% of Mattel's consolidated net sales for the six months ended June 30, 2018.

Argentina Operations

Effective July 1, 2018, Mattel will account for Argentina as a highly inflationary economy, as the projected three-year cumulative inflation rate exceeds 100%. Accordingly, Mattel's Argentina subsidiary will use the U.S. dollar as its functional currency. Mattel's Argentina subsidiary represented less than 1% of Mattel's consolidated net sales in the first half of 2018 and had approximately $7 million of net monetary assets denominated in Argentine Pesos as of June 30, 2018.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of June 30, 2018, Mattel’s disclosure controls and procedures were evaluated, with the participation of Mattel’s principal executive officer and principal financial officer, to assess whether they are effective in providing reasonable assurance that information required to be disclosed by Mattel in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and to provide reasonable assurance that such information is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. Based on this evaluation, Ynon Kreiz, Mattel’s principal executive officer, and Joseph J. Euteneuer, Mattel’s principal financial officer, concluded that these disclosure controls and procedures were effective as of June 30, 2018.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2018, Mattel made no changes to its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The content of Part I, Item 1 "Financial Statements—Note 22 to the Consolidated Financial Statements—Contingencies" of this Quarterly Report on Form 10-Q is hereby incorporated by reference in its entirety in this Item 1.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed under Part I, Item 1A "Risk Factors" in Mattel's 2017 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Equity Securities

During the second quarter of 2018, Mattel did not sell any unregistered equity securities.

Issuer Purchases of Equity Securities

This table provides certain information with respect to Mattel's purchases of its common stock during the second quarter of 2018:

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
Apr 1—30	17,923	$ 13.97	—	$ 203,016,273
May 1—31	20,499	14.99	—	203,016,273
Jun 1—30	11,139	16.85	—	203,016,273
Total	49,561	$ 15.04	—	$ 203,016,273

(1) The total number of shares purchased relates to 49,561 shares withheld from employees to satisfy minimum tax withholding obligations that occur upon vesting of restricted stock units. These shares were not purchased as part of a publicly announced repurchase plan or program.

(2) Mattel's share repurchase program was first announced on July 21, 2003. On July 17, 2013, the Board of Directors authorized Mattel to increase its share repurchase program by $500.0 million. At June 30, 2018, share repurchase authorizations of $203.0 million had not been executed. Repurchases under the program will take place from time to time, depending on market conditions. Mattel's share repurchase program has no expiration date.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
3.0	Restated Certificate of Incorporation of Mattel, Inc.	8-K	001-05647	99.0	May 21, 2007
3.1	Amended and Restated Bylaws of Mattel, Inc.	8-K	001-05647	3.1	January 30, 2017
4.0	Specimen Stock Certificate with respect to Mattel, Inc.	10-Q	001-05647	4.0	August 3, 2007
4.1	First Supplemental Indenture, dated as of May 31, 2018, by and among Mattel, Inc., the guarantors named therein, and MUFG Union Bank, N.A., as Trustee	8-K	001-05647	4.1	June 1, 2018
10.1+*	First Amendment to Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan				
10.2+	Letter Agreement between Mattel, Inc. and Ynon Kreiz, dated April 19, 2018, regarding an offer of employment for the position of Chief Executive Officer	8-K	001-05647	10.1	April 20, 2018
10.3+	Participation Letter Agreement under the Mattel, Inc. Executive Severance Plan B between Mattel, Inc. and Ynon Kreiz, dated April 19, 2018	8-K	001-05647	10.2	April 20, 2018
10.4+*	Grant Agreement for April 30, 2018 grant of performance-based non-qualified Stock Options to Ynon Kreiz under the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan (the "Amended 2010 Plan")				
10.5+*	Form of Grant Agreement as of April 5, 2018 for grants of Long-Term Incentive Program performance-based restricted stock units ("Performance Units") to senior executives under the Amended 2010 Plan				
10.6+*	Form of Grant Agreement as of April 5, 2018 for grants of Performance Units to participants in the Mattel, Inc. Executive Severance Plan under the Amended 2010 Plan				
10.7+*	Form of Grant Agreement as of April 5, 2018 for grants of Performance Units to participants in the Mattel, Inc. Executive Severance Plan B under the Amended 2010 Plan				
10.8+*	Letter Agreement between Mattel, Inc. and Ynon Kreiz, dated June 12, 2018, regarding change in allocation of Mr. Kreiz's long-term incentive grant value				
10.9+*	Letter Agreement between Mattel, Inc. and Joseph J. Euteneuer, dated June 12, 2018, regarding change in allocation of Mr. Euteneuer's long-term incentive grant value				
10.10	First Amendment to Syndicated Facility Agreement, dated as of June 1, 2018, by and among Mattel, Inc., each of the other borrowers and guarantors party thereto, the lenders signatory thereto and Bank of America, N.A., as Administrative Agent, Collateral Agent and Australian Security Trustee	8-K	001-05647	10.1	June 1, 2018
12.0*	Computation of Ratio of Earnings to Fixed Charges				
31.0*	Certification of Principal Executive Officer dated July 25, 2018 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				

31.1*	Certification of Principal Financial Officer dated July 25, 2018 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.0**	Certifications of Principal Executive Officer and Principal Financial Officer dated July 25, 2018 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\+ *Management contract or compensatory plan or arrangement.*

* *Filed herewith.*

** *Furnished herewith. This exhibit should not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934.*

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MATTEL, INC.
Registrant

By: /s/ JOSEPH B. JOHNSON

Joseph B. Johnson
Senior Vice President and Corporate
Controller (Duly authorized Officer and
Chief Accounting Officer)

Date: July 25, 2018

EXHIBIT 10.1

FIRST AMENDMENT TO
MATTEL, INC. AMENDED AND RESTATED
2010 EQUITY AND LONG-TERM COMPENSATION PLAN

This First Amendment ("First Amendment") to the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan (the "2010 Plan"), is adopted by the Board of Directors (the "Board") of Mattel, Inc., a Delaware corporation (the "Company"), on March 20, 2018, effective as of the date of the Annual Meeting that occurs in 2018, provided that it is approved by the Company's stockholders on that date (the "Amendment Date"). Capitalized terms used in this First Amendment and not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

RECITALS

A. The Company currently maintains the 2010 Plan.

B. The Board believes it is in the best interests of the Company and its stockholders to amend the 2010 Plan to increase the Share Limit, and to further amend the 2010 Plan to incorporate the terms and conditions set forth herein.

AMENDMENT

The Plan is hereby amended as follows, effective as of the date of the Annual Meeting that occurs in 2018, provided that it is approved by the Company's stockholders on that date.

1. The heading of Section 5 of the Plan is hereby deleted and replaced in its entirety with the following: "**SHARES AVAILABLE; VESTING LIMITATIONS**."

2. Section 5(a). Section 5(a) of the Plan is hereby deleted and replaced in its entirety with the following:

> "Aggregate Limit. The maximum number of shares of Common Stock which may be issued pursuant to Grants under the Plan shall be equal to the sum of (x) 90 million shares of Common Stock, (y) the number of shares of Common Stock which as of the Effective Date remained available for issuance under the 2005 Plan, and (z) any shares of Common Stock subject to awards outstanding under the 2005 Plan as of the Effective Date which, on or after the Effective Date, are forfeited or otherwise terminate or expire for any reason without the issuance of shares to the holder thereof (the "Overall Share Limit"). The number of shares authorized for grant as Incentive Stock Options shall be no more than the Overall Share Limit. The foregoing shall be subject to adjustment as provided below in this Section 5 and in Section 17. Notwithstanding the foregoing, if a Grant (a "Substitute Grant") is made pursuant to the conversion, replacement or adjustment of outstanding equity awards in connection with any acquisition, merger or other business combination or similar transaction involving the Company, the Overall Share Limit shall not be reduced as a result, to the extent the Substitute Grant is permitted without stockholder approval by the listing standards of the Nasdaq Stock Market."

3. Section 5(g). The following is hereby added as Section 5(g) of the Plan:

“Award Vesting Limitations. Notwithstanding any other provision of the Plan to the contrary, but subject to Sections 17 and 18 of the Plan, Grants made under the Plan on or after the effective date of the First Amendment to the Plan (the “Amendment Date”) shall vest no earlier than the first anniversary of such Grant’s date of grant; provided, however, that, notwithstanding the foregoing, Grants that result in the issuance of an aggregate of up to 5% of the shares of Common Stock available pursuant to this Section 5 (as such number of shares of Common Stock may be increased from time to time in accordance with the Plan) may be granted to any one or more Participants without respect to such minimum vesting provisions. For purposes of Grants to non-employee directors, a vesting period will be deemed to be one year if it runs from the date of one Annual Meeting to the next Annual Meeting. Notwithstanding the foregoing, nothing in this Section 5(g) shall preclude or limit any Grant or other arrangement (or any action by the Committee) from providing for accelerated vesting of such Grant in connection with or following a Participant’s death, Disability or Severance.”

4. Section 11(b). The last sentence of Section 11(b) of the Plan is hereby deleted and the following is hereby added to the penultimate sentence of Section 11(b) of the Plan:

“(subject to Section 12(a) of the Plan).”

5. Section 12. Section 12 of the Plan is hereby deleted and replaced in its entirety with the following:

“DIVIDENDS AND DIVIDEND EQUIVALENTS.

(a) Notwithstanding anything herein to the contrary, the Committee may make any and all dividends and distributions with respect to Grants under the Plan (including, but not limited to, Grants of Restricted Stock) subject to vesting conditions, which may be the same as or different from the vesting conditions applicable to the underlying Grant; provided, that, notwithstanding anything herein to the contrary, any dividends payable with respect to any Grant or any portion of a Grant may only be paid to the Participant to the extent that the vesting conditions applicable to such Grant or portion thereof are subsequently satisfied and the Grant or portion thereof to which such dividend relates vests, and any dividends with respect to any Grant or any portion thereof that does not become vested shall be forfeited.

(b) The Committee may include Dividend Equivalents on shares of Common Stock that are subject to Grants, and may make separate Grants of Dividend Equivalents with respect to a specified number of hypothetical shares. The Committee shall specify in the Grant such terms as it deems appropriate regarding the Dividend Equivalents, including when and under what conditions the Dividend Equivalents shall be paid, whether any interest accrues on any unpaid Dividend Equivalents, and whether they shall be paid in cash or in shares of Common Stock or a combination thereof; provided, that, notwithstanding anything herein to the contrary, Dividend Equivalents with respect to Grants (or any portion thereof) that are not vested at the time that the underlying dividend is paid may only be paid to the Participant to the extent that the applicable vesting conditions are subsequently satisfied and the Grant (or portion thereof) vests, and any Dividend Equivalents with respect to any portion of a Grant that does not become vested shall be forfeited. Unless the Committee otherwise specifies in the Grant, Dividend Equivalents shall be paid to the Participant no later than the later of the fifteenth day of the third month following the end of the calendar year in which the Dividend Equivalents are credited or the fifteenth day of the third month following the end of the calendar year in which the related Grant vests. Any Dividend Equivalents shall be treated separately from the right to other amounts under the Grant for purposes of the designation of time and form of payment required by Code Section 409A.

(c) Notwithstanding anything in the foregoing to the contrary, neither dividends nor Dividend Equivalents shall be granted, paid or payable in respect of outstanding Options or Stock Appreciation Rights."

6. Section 18(a). Section 18(a) of the Plan is hereby deleted in its entirety and replaced with the following:

"In the event of a Change in Control, (i) if the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that any Grant will not be assumed, or new rights that substantially preserve the terms of such Grant will not be substituted therefor, by the Participant's employer (or the direct or indirect parent entity of the employer) immediately following the Change in Control, then any such Option or Stock Appreciation Right then outstanding shall vest and be fully exercisable as of the date of the Change in Control, any such Grant of Restricted Stock or Restricted Stock Units then outstanding shall be fully vested as of the date of the Change in Control, and any such Grant of Restricted Stock Units shall be settled immediately (in cash or Common Stock, determined in the manner provided for in the terms thereof, but subject to Section 17); (ii) if the Committee reasonably determines in good faith, that a Grant has been assumed or new rights that substantially preserve the terms of such Grant have been substituted therefor, by the Participant's employer (or the direct or indirect parent entity of the employer) immediately following the Change in Control, then, in the event that the Participant incurs a Severance by the Company without Cause within the 24-month period immediately following the Change in Control, then, any such Grant of Options or Stock Appreciation Rights outstanding as of immediately prior to the Participant's Severance shall become fully vested and exercisable as of the date of such Severance and remain exercisable until the earlier of (A) the second anniversary of the Severance and (B) the end of the applicable Term, any such Grant of Restricted Stock or Restricted Stock Units outstanding as of immediately prior to the Participant's Severance shall be fully vested as of the date of such Severance, and any such Grant of Restricted Stock Units shall be settled immediately upon such Severance (in cash or Common Stock, determined in the manner provided for in the terms thereof, but subject to Section 17); and (iii) any Grant granted on or after the Amendment Date that is subject to performance-based vesting shall, immediately prior to, and subject to the consummation of, such Change in Control, vest based on the greater of (x) actual performance through the date of the Change in Control or (y) prorated target performance, with the number of shares based on the number of days elapsed in the applicable performance period through the date of the Change in Control over the total number of days in the applicable performance period; in each case, subject to the terms of any Grant, Individual Agreement, Program or in Section 18(c) or Section 19 (including

Section 19A) hereof. Notwithstanding the foregoing, except as expressly permitted by subclauses (i) and (iii) of this Section 18(a), (1) in no event shall any Grant granted on or after the Amendment Date provide for accelerated vesting or exercisability (as applicable) solely upon the occurrence of a Change in Control, and (2) in no event shall either the Board or the Committee accelerate the vesting or exercisability (as applicable) of any Grant, in whole or in part, solely upon the occurrence of a Change in Control."

7. Section 23(d). Section 23(d) of the Plan is hereby deleted in its entirety and Section 23(e), and all references in the Plan thereto, are renumbered as Section 23(d).

8. This First Amendment shall be and, as of the Amendment Date, is hereby incorporated in and forms a part of the Plan.

9. Except as expressly provided herein, all terms and conditions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, Mattel has caused this First Amendment to be executed, effective as of May 17, 2018.

MATTEL, INC.

By: /s/ Amanda Thompson
Name: Amanda Thompson
Title: Executive Vice President and Chief People Officer

Dated: May 17, 2018

GRANT AGREEMENT FOR A NON-QUALIFIED STOCK OPTION UNDER THE MATTEL, INC. AMENDED AND RESTATED 2010 EQUITY AND LONG-TERM COMPENSATION PLAN

This is a Grant Agreement (this "Grant Agreement") between Mattel, Inc. ("Mattel") and Ynon Kreiz (the "Holder"). The Notice of Grant – Non-Qualified Stock Option accompanying this Grant Agreement is deemed a part of this Grant Agreement.

Recitals

Mattel has adopted the Amended and Restated 2010 Equity and Long-Term Compensation Plan, as may be amended from time to time (the "Plan"), for the granting to selected employees of awards based upon shares of Common Stock of Mattel. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Plan. This Grant Agreement incorporates certain provisions required by the terms of the Mattel, Inc. Executive Severance Plan B, as amended by the Participation's Participation Letter with Mattel dated April 19, 2018, and as may be further amended from time to time (the "Severance Plan").

Option

1. **Terms.** Effective as of April 30, 2018 (the "Grant Date"), Mattel grants to the Holder a Non-Qualified Stock Option (this "Option") to purchase, on the terms and conditions set forth in the Notice and this Grant Agreement, all or any part of the aggregate number of shares of Common Stock subject to the Option as set forth in the Notice. The Option shall remain outstanding until and shall expire on the tenth anniversary of the Grant Date (the "Expiration Date"), unless and to the extent this Option is terminated or forfeited before such date pursuant to Section 5 or Section 6 below. The per-share exercise price of this Option equals the Fair Market Value of a share of Common Stock on the Grant Date, and is set forth in the Notice.

2. **Vesting and Exercisability.** Subject to the Holder's continuous employment through April 26, 2021 and subject to Section 6 below, the Option will become fully vested and exercisable if Mattel achieves a relative total shareholder return during the period commencing on April 26, 2018 and ending on April 26, 2021 (the "Performance Cycle") that is equal to or greater than the 65th percentile, as compared to the companies in the S&P 500 as of April 26, 2018 (the "Relative TSR Goal"). The Relative TSR Goal will be established and measured, and performance achievement otherwise determined, in the same manner and pursuant to the same terms as approved by the Compensation Committee for the performance-based restricted stock units granted in connection with the 2018-2020 Long-Term Incentive Program. For the avoidance of doubt, (a) if the Relative TSR Goal is achieved as provided in the foregoing sentence, the vesting date will be the date on which such achievement is determined by the Committee, and (b) if the Relative TSR Goal is not achieved, 100% of the Option will be forfeited as of the end of the Performance Cycle and there will be no linear interpolation relating to achievement below the Relative TSR Goal.

3. **Method of Exercising.** In order to exercise this Option in whole or in part, the Holder shall follow such procedures as may be established by Mattel from time to time, including through any automated system that Mattel may establish for itself or using the services of a third party, such as a system using an internet website or interactive voice response. In order for such exercise to be considered effective, the Holder must satisfy the withholding obligations of Section 4 below and the certification obligation of Section 5 below, and make full payment of the exercise price for the shares being purchased in accordance with such methods as the Committee may approve from time to time. As of the Grant Date, the following forms of payment are available:

(a) cash; and

(b) by the delivery to Mattel or its designated agent of an irrevocable written notice of exercise form together with irrevocable instructions to a broker-dealer to sell a sufficient portion of the shares of Common Stock and to timely deliver the sale proceeds directly to Mattel to pay the exercise price of this Option.

4. **Tax Withholding.** As a condition to exercising this Option in whole or in part, the Holder shall pay, or make provisions satisfactory to Mattel for payment of, any income tax, social tax, payroll tax and other taxes required to be withheld in connection with such exercise. Payment for such taxes may be in any of the forms of payment specified above in Section 3. With the consent of Mattel, payment for such taxes may also be in the form of shares of Common Stock that would otherwise be issued upon the exercise of this Option, provided that the Fair Market Value of such shares shall not exceed the sums necessary to pay the tax withholding based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel).

5. **Termination, Rescission and Recapture.** The Holder specifically acknowledges that this Option is subject to the provisions of Section 19 of the Plan, entitled "Termination, Rescission and Recapture," which can cause the forfeiture of this Option, the rescission of shares of Common Stock acquired upon the exercise of this Option and/or the recapture of proceeds of the sale of such shares of Common Stock. Except as provided in the next sentence, as a condition of the exercise of this Option, the Holder will be required to certify that he or she is in compliance with the terms and conditions of the Plan (including the conditions set forth in Section 19 of the Plan) and, if a Severance has occurred, to state the name and address of his or her then-current employer or any entity for which the Holder performs business services and his or her title, and shall identify any organization or business in which the Holder owns a greater-than-five-percent equity interest. Section 19 of the Plan is inapplicable, and accordingly such certification shall not be required, in connection with any exercise after a Severance of the Holder that occurs within the 24-month period following a Change in Control.

6. **Consequences of the Holder's Severance.** The consequences of the Holder's Severance for this Option shall be as follows, subject to Section 5 above.

a. In the case of the Holder's Severance for Cause, this Option (whether vested or unvested) shall terminate immediately on the date of the Severance.

b. In the case of the Holder's Severance as a result of death or Disability, this Option shall become fully vested and exercisable immediately, to the extent not previously vested and exercisable, and shall remain exercisable until the earlier of (i) the fifth anniversary of the date of the Severance, or (ii) the Expiration Date.

c. In the case of the Holder's Severance that constitutes a termination without Cause, this Option shall become fully vested and exercisable immediately, to the extent not previously vested and exercisable, and shall remain exercisable until the earlier of (i) three (3) years following the date of the Severance, or (ii) the Expiration Date.

d. Notwithstanding anything to the contrary in Sections 6(b) or 6(c), if the Holder's Severance also constitutes a Covered Termination (as defined in the Severance Plan) and occurs within 24 months following a Change in Control, then the unvested Option shall become fully vested and exercisable, to the extent not previously vested and exercisable, and shall remain exercisable until the earlier of (i) three (3) years following the date of the Severance or (ii) the Expiration Date.

e. In the case of the Holder's Severance in all other circumstances, (i) any portion of this Option that has previously vested shall remain exercisable until the earlier of (A) 90 days following the date of the Severance, or (B) the Expiration Date, and (ii) any portion of this Option that has not previously vested shall terminate immediately on the date of the Severance.

7. **Compliance with Law.**

(a) No shares issuable upon the exercise of this Option shall be issued and delivered unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.

(b) If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.

8. **Assignability.** This Option shall not be transferable by the Holder, other than upon the death of the Holder in accordance with such beneficiary designation procedures or other procedures as Mattel may prescribe from time to time. This Option shall be exercisable, subject to the terms of the Plan and this Grant Agreement, only by the Holder, the guardian or legal representative of the Holder as provided in Section 9(c) of the Plan, or any person to whom this Option is permissibly transferred pursuant to this Section 8 and Section 16(a) of the Plan, it being understood that the term "Holder" includes such guardian, legal representative, and other transferee; provided, that references to employment or other provision of services to Mattel (such as the terms "Disability," "Retirement" and "Severance") shall continue to refer to the employment of, or provision of services by, the original Holder named above.

9. **Certain Corporate Transactions.** In the event of certain corporate transactions, this Option shall be subject to adjustment as provided in Section 17 of the Plan. In the event of a Change in Control, subject to Section 6 above, this Option shall be subject to the provisions of Section 18 of the Plan.

10. **No Additional Rights.**

(a) Neither the granting of this Option nor its exercise shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for Mattel, or (iii) interfere in any way with the right of Mattel to terminate the services of the Holder at any time, with or without Cause.

(b) The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, and (iii) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions, and provisions of any such grants.

(c) Without limiting the generality of subsections (a) and (b) immediately above and subject to Section 6 above, if there is a Severance of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Option or the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.

11. Rights as a Stockholder. Neither the Holder nor any other person legally entitled to exercise this Option shall have any rights as a stockholder with respect to any shares covered by this Option until such shares have been issued to the Holder following the exercise of this Option.

12. Compliance with Plan. This Option and this Grant Agreement are subject to, and Mattel and the Holder agree to be bound by, the terms and conditions of the Plan as it shall be amended from time to time, and the rules, regulations and interpretations relating to the Plan as may be adopted by the Committee, all of which are incorporated herein by reference. No amendment to the Plan or this Grant Agreement shall adversely affect this Option without the consent of the Holder. In the event of a conflict between the terms of the Plan and this Grant Agreement, the terms of the Plan shall govern and this Grant Agreement shall be deemed to be modified accordingly.

13. Data Privacy Consent.

(a) The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing, and transfer of such data in relation to the grant of the Option and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing, and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing, and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents, and agrees (where required under applicable law) to the collection, use, processing, and transfer of personal data as described herein.

(b) The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, email address, date of birth, social security, passport or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in Mattel, details of all Options or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested, or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and Mattel will process the Data for the exclusive purpose of implementing, administering, and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within Mattel's organization only by those persons requiring access for purposes of the implementation, administration, and operation of the Plan and for the Holder's participation in the Plan.

(c) The Company will transfer Data as necessary for the purpose of implementation, administration, and management of the Holder's participation in the Plan, and Mattel may further transfer Data to any third parties assisting Mattel in the implementation, administration, and management of the Plan. These recipients may be located in the European Economic Area, the United States, or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for purposes of implementing, administering, and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.

(d) The Holder may, at any time, exercise the Holder's rights provided under applicable personal data protection laws, which may include the right to (i) obtain confirmation as to the existence of the Data, (ii) verify the content, origin and accuracy of the Data, (iii) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (iv) to oppose, for legal reasons, the collection, processing, or transfer of the Data which is not necessary or required for the implementation, administration, and/or operation of the Plan and the

Holder's participation in the Plan. The Holder may seek to exercise these rights by contacting the Holder's local HR manager.

14. **Electronic Delivery**. Mattel will deliver any documents related to the Option and the Holder's participation in the Plan, or future awards that may be granted under the Plan, by electronic means unless otherwise determined by Mattel in its sole discretion. The Holder hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Mattel or a third party designated by Mattel.

15. **No Advice Regarding Grant**. Mattel is not providing any tax, legal, or financial advice, nor is Mattel making any recommendations, regarding the Holder's participation in the Plan or the Holder's acquisition or sale of the underlying shares of Common Stock. The Holder is hereby advised to consult with his or her own personal tax, legal, and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

16. **Governing Law.** The interpretation, performance and enforcement of this Option shall be governed by the laws of the State of Delaware without regard to principles of conflicts of laws.

Notwithstanding any provision of this Grant Agreement to the contrary, if the Holder does not accept the Option (in accordance with the method specified by Mattel) by the six month anniversary of the date of grant, the Option will be deemed accepted by Mattel, and the Holder shall be subject to the terms and conditions of the Plan and this Grant Agreement.

GRANT AGREEMENT FOR LONG-TERM INCENTIVE PROGRAM PERFORMANCE-BASED RESTRICTED STOCK UNITS FOR SENIOR EXECUTIVES UNDER THE MATTEL, INC. AMENDED AND RESTATED 2010 EQUITY AND LONG-TERM COMPENSATION PLAN

This is a Grant Agreement (this "Grant Agreement") between Mattel, Inc. ("Mattel") and the individual (the "Holder") named in the Notice of Grant – Performance-Based Restricted Stock Units (the "Notice"). The Notice accompanying this Grant Agreement is deemed a part of this Grant Agreement.

Recitals

Mattel has adopted the Amended and Restated 2010 Equity and Long-Term Compensation Plan, as may be amended from time to time (the "Plan"), for the granting to selected employees of awards based upon shares of Common Stock of Mattel. In accordance with the terms of the Plan, the Compensation Committee of the Board of Directors (the "Committee") has approved the execution of this Grant Agreement between Mattel and the Holder. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Plan.

Restricted Stock Units

1. Grant. Mattel grants to the Holder the number of restricted stock units based on shares of Common Stock set forth in the Notice (the "Performance Units"), subject to adjustment, forfeiture, and the other terms and conditions set forth below, as of the effective date of the grant (the "Grant Date") specified in the Notice. The number of Performance Units specified in the Notice reflects the target number of Performance Units that may be earned by the Holder. The Company and the Holder acknowledge that the Performance Units (a) are being granted hereunder in exchange for the Holder's agreement to provide services to the Company after the Grant Date, for which the Holder will otherwise not be fully compensated, and which the Company deems to have a value at least equal to the aggregate par value of the Shares, if any, that the Holder may become entitled to receive under this Grant Agreement, and (b) will, except as provided in Sections 4 and 5 hereof, be forfeited by the Holder if the Holder's termination of employment occurs before the Settlement Date (as defined in Section 7, below), and are further subject to cancellation (and any shares of Common Stock or cash delivered in settlement of the Performance Units are subject to recapture) if the Holder engages in certain conduct detrimental to the Company, in each case as more fully set forth in this Grant Agreement and the Plan.

2. Performance Criteria. Subject to the Holder's continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Performance Units on the Settlement Date determined based on the achievement of a three-year goal related to free cash flow (the "Company Performance Measure") and the relative total stockholder return ("Relative TSR") during the period beginning on January 1, 2018 and ending on December 31, 2020 (the "Performance Cycle"), in each case, as determined by the Committee.

3. Dividend Equivalent Rights. The Performance Units are granted with Dividend Equivalent rights, as set forth in this Section 3. As of each payment date for any cash dividend or distribution with respect to the Common Stock with a record date on or after the commencement date of the Performance Cycle and before all of the Performance Units are settled or forfeited as set forth below, the Holder shall be credited (without interest) with an additional number of Performance Units, in whole or in fractions thereof, in an amount determined by dividing (i) the aggregate cash dividends that would have been paid on such dividend payment date in respect of the number of shares of Common Stock underlying the Performance Units actually earned by the Holder in accordance with this Grant Agreement, by (ii) the Common Stock closing price on the ex-dividend date (two trading days prior to the record date). All such additional Performance Units shall be subject to the same terms and conditions (including vesting conditions and Dividend Equivalent rights) applicable to the Performance Units in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the Performance Units to which they are related, in accordance with Section 7. Dividend Equivalent rights and any amounts that may become distributable in respect thereof shall be treated separately from the Performance Units and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code.

4. Consequences of Termination of Employment. The consequences of the Holder's termination of employment during the Performance Cycle and before a Change in Control shall be as follows:

i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Performance Units shall be forfeited as of the date of the Termination of Employment.

ii. In the case of a Termination of Employment after June 30, 2018 (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause), or (b) as a result of the Holder's death or Disability, the number of Performance Units earned shall be determined as follows: first, the Committee shall determine the number of Performance Units earned based on actual achievement of the Company Performance Measure and Relative TSR following the end of the Performance Cycle; and second, the number of Performance Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Performance Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.

iii. In all other cases, the Performance Units shall be forfeited as of the date of the Termination of Employment.

5. Change in Control. If a Change in Control occurs and the Holder has remained continuously employed by the Company until at least immediately prior to the Change in Control, the Performance Units shall not vest in accordance with the terms of Section 18 of the Plan and the number of Performance Units earned shall be determined as follows:

i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Performance Units will not be honored or assumed, or new rights that substantially preserve the terms of the Performance Units substituted therefor, by the Holder's employer (or the parent of such employer) immediately following the Change in Control, the number of Performance Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout, and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and Relative TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).

ii. If the Committee determines that the Performance Units have been assumed and, before the Settlement Date, the Holder has a Termination of Employment by the Company without Cause or by the Holder for Good Reason (as defined below) within the 24-month period immediately following a Change in Control, the number of Performance Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout, and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Termination of Employment and Relative TSR (calculated as if the most recently completed fiscal year prior to such Termination of Employment had been the end of the Performance Cycle).

Any Performance Units which are earned pursuant to this Section 5 shall be settled on or within 60 days after the Change in Control or Termination of Employment, as applicable, but in no event later than the Settlement Date, in accordance with Section 7. For purposes of this Section 5, the Termination of Employment shall be considered to be for "Good Reason" if, without the Holder's express written consent, there is a material diminution in the duties, authority, or responsibilities of the Holder, provided that the Holder gives the Company written notice of the intent to terminate employment within 60 days of the occurrence of such event and the Company fails to cure such event (to the extent curable) within 30 days of its receipt of such notice. If such event is not cured, the Holder must terminate employment within 120 days following the initial occurrence of the event giving rise to the Termination of Employment for Good Reason.

6. Termination, Rescission and Recapture. The Holder specifically acknowledges that the Performance Units and any shares of Common Stock or cash delivered in settlement thereof are subject to the provisions of Section 19 of the Plan, entitled "Termination, Rescission and Recapture," which can cause the forfeiture of the Performance Units and/or the recapture of any shares of Common Stock and/or cash delivered in settlement thereof and/or the proceeds of the sale of any such shares of Common Stock. Except as provided in the next sentence, as a condition of the settlement of the Performance Units, the Holder will be required to certify that he or she is in compliance with the terms and conditions of the Plan (including the conditions set forth in Section 19 of the Plan) and, if a Termination of Employment has occurred, to state the name and address of his or her then-current employer or any entity for which the Holder performs business services and his or her title, and shall identify any organization or business in which the Holder owns a greater-than-five-percent equity interest. Section 19 of the Plan is inapplicable, and accordingly such certification shall not be required, after a Termination of Employment of the Holder that occurs within the 24-month period after a Change in Control.

7. Payout of Performance Units. Within 15 business days following the Committee's certification of the Company Performance Measure and Relative TSR for the Performance Cycle in the fiscal year following the end of the Performance Cycle, but in no event later than March 15th of such fiscal year (the "Settlement Date"), subject to Section 9 below, the Company shall settle each earned Unit by delivering to the Holder one share of Common Stock or a cash payment equal to the Fair Market Value of a share of Common Stock, as the Company may in its sole discretion determine (and the Company may settle some Performance Units in shares of Common Stock and some in cash). In the case of Performance Units settled by delivery of shares of Common Stock, the Company shall (a) issue or cause to be delivered to the Holder (or the Holder's Heir, as defined below, if applicable) one or more unlegended stock certificates representing such shares, or (b) cause a book entry for such shares to be made in the name of the Holder (or the Holder's Heir, if applicable). In the case of the Holder's death, the cash and/or shares of Common Stock to be delivered in settlement of Performance Units as described above shall be delivered to the Holder's beneficiary or beneficiaries (as designated in the manner determined by the Committee), or if no beneficiary is so designated or if no beneficiary survives the Holder, then the Holder's administrator, executor, personal representative, or other person to whom the Performance Units are transferred by means of the Holder's will or the laws of descent and distribution (such beneficiary, beneficiaries, or other person(s), the "Holder's Heir").

8. Code Section 409A. Mattel believes that the Performance Units do not constitute "deferred compensation" within the meaning of Section 409A of the Code. If Mattel determines after the Grant Date that an amendment to this Grant Agreement is necessary or advisable to ensure that the Performance Units will not be subject to Section 409A of the Code, or alternatively to ensure that they comply with Section 409A of the Code, it may make such amendment, effective as of the Grant Date or at any later date, without the consent of the Holder.

Notwithstanding anything in this Grant Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A of the Code, and such payment or benefit would otherwise be payable or distributable hereunder by reason of the Holder's Termination of Employment, all references to the Holder's Termination of Employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h) (a "Separation from Service"), and the Holder shall not be considered to have a Termination of Employment unless such termination constitutes a Separation from Service with respect to the Holder.

9. Tax Withholding. The Company shall withhold from the cash and/or shares of Common Stock deliverable in settlement of the Performance Units an amount necessary to satisfy the income taxes, social taxes, payroll taxes, and other taxes required to be withheld in connection with such settlement. If such payment is in the form of shares of Common Stock deliverable on the Settlement Date, the Fair Market Value of such shares on the Settlement Date shall not exceed the sums necessary to pay the tax withholding based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Performance Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion. The Company may, in its discretion, withhold any amount necessary to pay the applicable taxes from the Holder's regular salary/wages or any other amounts payable to the Holder, with no withholding of shares of Common Stock, or may require the Holder to submit payment equivalent to the minimum taxes required to be withheld (unless higher withholding is permissible without adverse accounting consequences to Mattel) by means of certified check, cashier's check, or wire transfer.

Further, if the Holder becomes subject to taxation in more than one country between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Holder acknowledges that the Company may be required to withhold or account for taxes in more than one country. In the event the withholding requirements for the applicable taxes are not satisfied, no shares of Common Stock will be issued to the Holder (or the Holder's estate) upon settlement of the Performance Units unless and until satisfactory arrangements (as determined by Mattel in its sole discretion) have been made by the Holder with respect to the payment of any such applicable taxes. By accepting the Performance Units, the Holder expressly consents to the methods of withholding as provided hereunder. All other taxes related to the Performance Units and any shares of Common Stock delivered in settlement thereof shall be the sole responsibility of the Holder.

10. Compliance with Law.

i. No shares of Common Stock shall be issued and delivered pursuant to a vested Unit unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.

ii. If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.

iii. If the Holder is a resident of or employed in a country other than the United States, the Holder agrees, as a condition to the grant of the Performance Units, to repatriate all payments attributable to the shares of Common Stock and/or cash acquired under the Plan (including, but not limited to, dividends and any proceeds derived from the sale of the shares of Common Stock acquired pursuant to this Performance Units) in accordance with local foreign exchange rules and regulations in the Holder's country of residence (and country of employment, if different). In addition, the Holder agrees to take any and all actions, and consents to any and all actions taken by Mattel, as may be required to allow Mattel to comply with local laws, rules, and regulations in the Holder's country of residence (and country of employment, if different). Finally, the Holder agrees to take any and all actions that may be required to comply with the Holder's personal legal and tax obligations under local laws, rules, and regulations in the Holder's country of residence (and country of employment, if different).

iv. If the Holder is a resident of or employed in a country that is a member of the European Union, the grant of the Performance Units and this Grant Agreement are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of the Performance Units is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, Mattel, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to render it valid and enforceable to the full extent permitted under local law.

v. Upon the issuance of shares of Common Stock in settlement of earned Performance Units, Mattel may require the Holder to sell such shares at any time to the extent the Holder's continued holding of such shares is prohibited under applicable law or is administratively burdensome (in which case, this Grant Agreement shall provide Mattel with the authority to issue sales instructions in relation to such shares of Common Stock on the Holder's behalf).

11. Assignability. The Performance Units shall not be transferable by the Holder, other than upon the death of the Holder in accordance with such beneficiary designation procedures or other procedures as Mattel may prescribe from time to time.

12. Certain Corporate Transactions. In the event of certain corporate transactions, the Performance Units shall be subject to adjustment as provided in Section 17 of the Plan. In the event of a Change in Control, these Performance Units shall be subject to the provisions of Section 18 of the Plan.

13. No Additional Rights.

i. Neither the granting of the Performance Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.

ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions, and provisions of any such grants.

iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section 4 above, if there is a Termination of Employment of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Performance Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.

iv. The Holder's participation in the Plan is voluntary. The value of the Performance Units and any other awards granted under the Plan is an extraordinary item of compensation outside the scope of the Holder's employment (and the Holder's employment contract, if any). Any grant under the Plan, including the grant of the Performance Units, is not part of the Holder's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, holiday pay, pension or retirement benefits, or similar payments.

14. Rights as a Stockholder. Neither the Holder nor the Holder's Heir shall have any rights as a stockholder with respect to any shares represented by the Performance Units unless and until shares of Common Stock have been issued in settlement thereof.

15. Data Privacy Consent.

i. The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing, and transfer of such data in relation to the grant of the Performance Units and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing, and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents, and agrees (where required under applicable law) to the collection, use, processing, and transfer of personal data as described herein.

ii. The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, email address, date of birth, social security, passport, or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Performance Units, or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested, or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering, and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration, and operation of the Plan and for the Holder's participation in the Plan.

iii. The Company will transfer Data as necessary for the purpose of implementation, administration, and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration, and management of the Plan. These recipients may be located in the European Economic Area, the United States, or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for purposes of implementing, administering, and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.

iv. The Holder may, at any time, exercise the Holder's rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin, and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing, or transfer of the Data which is not necessary or required for the implementation, administration, and/or operation of the Plan and the Holder's participation in the Plan. The Holder may seek to exercise these rights by contacting the Holder's local HR manager.

16. <u>Compliance with Plan</u>. The Performance Units and this Grant Agreement are subject to, and the Company and the Holder agree to be bound by, all of the terms and conditions of the Plan as it shall be amended from time to time, and the rules, regulations, and interpretations relating to the Plan as may be adopted by the Committee, all of which are incorporated herein by reference. No amendment to the Plan or this Grant Agreement shall adversely affect the Performance Units or this Grant Agreement without the consent of the Holder. In the case of a conflict between the terms of the Plan and this Grant Agreement, the terms of the Plan shall govern and this Grant Agreement shall be deemed to be modified accordingly.

17. <u>Effect of Grant Agreement on Individual Agreements</u>. Notwithstanding the provisions of any Individual Agreement, (i) in the case of a conflict between the terms of the Holder's Individual Agreement and this Grant Agreement, the terms of the Grant Agreement shall govern, and (ii) the vesting and settlement of Performance Units shall in all events occur in accordance with this Grant Agreement to the exclusion of any provisions contained in an Individual Agreement regarding the vesting or settlement of the Performance Units, and any such Individual Agreement provisions shall have no force or effect with respect to the Performance Units.

18. <u>Governing Law</u>. The interpretation, performance and enforcement of this Grant Agreement shall be governed by the laws of the State of Delaware without regard to principles of conflicts of laws. The Holder may only exercise his or her rights in respect of the Plan, the Grant Agreement and these Performance Units to the extent that it would be lawful to do so, and Mattel would not, in connection with this Grant Agreement, be in breach of the laws of any jurisdiction to which the Holder may be subject. The Holder shall be solely responsible to seek advice as to the laws of any jurisdiction to which he or she may be subject, and participation by the Holder in the Plan shall be on the basis of a warranty by the Holder that the Holder may lawfully so participate without Mattel being in breach of the laws of any such jurisdiction.

19. <u>No Advice Regarding Grant</u>. Mattel is not providing any tax, legal or financial advice, nor is Mattel making any recommendations, regarding the Holder's participation in the Plan or the Holder's acquisition or sale of the underlying shares of Common Stock. The Holder is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

20. **Insider Trading/Market Abuse Laws**. The Holder may be subject to insider trading and/or market abuse laws in applicable jurisdictions, including the United States, the Holder's country of residence, and the Holder's country of employment (if different) that may affect the Holder's ability to acquire or sell shares of Common Stock under the Plan during such times the Holder is considered to have "inside information" (as defined in the laws of applicable jurisdictions). These laws may be the same or different from any insider trading policy of the Company. The Holder acknowledges that it is the Holder's responsibility to be informed of and compliant with such regulations.

21. **English Language**. The Holder acknowledges and agrees that it is the Holder's express intent that the Grant Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Performance Units, be drawn up in English. If the Holder has received the Grant Agreement, the Plan or any other documents related to the Performance Units translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

22. **Electronic Delivery**. Mattel will deliver any documents related to the Performance Units and the Holder's participation in the Plan, or future awards that may be granted under the Plan, by electronic means unless otherwise determined by Mattel in its sole discretion. The Holder hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Mattel or a third party designated by Mattel.

23. **Value of the Performance Units**. The Holder acknowledges and agrees that the value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty and if the Holder earns Performance Units in accordance with the terms of this Grant Agreement and is issued shares of Common Stock, the value of those shares may increase or decrease. The Company shall not be liable for any foreign exchange rate fluctuation between the local currency of the Holder's country of residence and the U.S. dollar that may affect the value of the Performance Units or of any amounts due to the Holder pursuant to the settlement of the Performance Units or the subsequent sale of any shares of Common Stock acquired upon settlement of the Performance Units.

24. **Addendum**. Notwithstanding any provision of this Grant Agreement to the contrary, the Performance Units shall be subject to any special terms and conditions for the Holder's country of residence (and country of employment, if different) as are set forth in the applicable addendum to the Grant Agreement (the "Addendum"). Further, if the Holder transfers residence and/or employment to another country reflected in an Addendum to the Grant Agreement, the special terms and conditions for such country (if any) will apply to the Holder to the extent Mattel determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the operation and administration of the Performance Units and the Plan (or Mattel may establish alternative terms and conditions as may be necessary or advisable to accommodate the Holder's transfer). Any applicable Addendum shall constitute part of this Grant Agreement.

25. **Additional Requirements**. Mattel reserves the right to impose other requirements on the Performance Units, any shares of Common Stock acquired pursuant to the Performance Units, and the Holder's participation in the Plan, to the extent Mattel determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules, and regulations, or to facilitate the operation and administration of the Performance Units and the Plan. Such requirements may include (but are not limited to) requiring the Holder to sign any agreements or undertakings that may be necessary or advisable to accomplish the foregoing.

Notwithstanding any provision of this Grant Agreement to the contrary, if the Holder does not accept the Performance Units (in accordance with the method specified by Mattel) by the six month anniversary of the date of grant, the Performance Units will be deemed accepted by Mattel, and the Holder shall be subject to the terms and conditions of the Plan, the rules, regulations, and interpretations relating to the Plan as may be adopted by the Committee, and this Grant Agreement.

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ADDENDUM TO GRANT AGREEMENT
FOR LONG-TERM INCENTIVE PROGRAM PERFORMANCE-BASED RESTRICTED STOCK UNITS FOR SENIOR EXECUTIVES UNDER THE
MATTEL, INC. AMENDED AND RESTATED 2010 EQUITY AND LONG-TERM COMPENSATION PLAN

In addition to the terms of the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan (the "Plan") and the Grant Agreement for Long-Term Incentive Program Performance-Based Restricted Stock Units for Senior Executives (the "Grant Agreement"), the Performance Units are subject to the following additional terms and conditions as set forth in this addendum to the extent the Holder resides and/or is employed in one of the countries addressed herein (the "Addendum"). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Plan and the Grant

Agreement. To the extent the Holder transfers residence and/or employment to another country, the special terms and conditions for such country as reflected in this Addendum (if any) will apply to the Holder to the extent Mattel determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules, and regulations, or to facilitate the operation and administration of the Performance Units and the Plan (or Mattel may establish alternative terms and conditions as may be necessary or advisable to accommodate the Holder's transfer).

Argentina

1. **Extraordinary Item of Compensation**. The Holder acknowledges and agrees that the grant of Performance Units is made by Mattel (not any Subsidiary or Affiliate) in its sole discretion and that the value of the Performance Units or any shares of Common Stock acquired under the Plan shall not constitute salary or wages for any purpose under Argentine labor law, including, but not limited to, the calculation of (i) any labor benefits including, but not limited to, vacation pay, thirteenth salary, compensation in lieu of notice, annual bonus, disability, and leave of absence payments, etc., or (ii) any termination or severance indemnities or similar payments. If, notwithstanding the foregoing, any benefits under the Plan are considered for any purpose under Argentine labor law, the Holder acknowledges and agrees that such benefits shall not accrue more frequently than on the Settlement Date.

2. **Securities Law Notice**. Shares of Common Stock of Mattel are not publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

3. **Exchange Control Obligations.** Exchange control regulations in Argentina are subject to frequent change. The Holder is solely responsible for complying with any applicable exchange control rules and should consult with his or her personal legal advisor prior to remitting proceeds from the sale of shares of Common Stock or cash dividends paid on such shares of Common Stock.

Australia

1. **Compliance with Law**. Notwithstanding anything to the contrary in the Grant Agreement or the Plan, the Holder shall not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth) (the "Act"), any other provision of the Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.
2. **Australian Tax Treatment**. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in that Act).

3. **Securities Law Notice.** The grant of the Performance Units is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Offer Document for the Offer of Restricted Stock Units to Australian Resident Employees, which was distributed with the Grant Agreement and any other Plan documents.

Brazil

1. Commercial Relationship. The Holder expressly recognizes that the Holder's participation in the Plan and Mattel's grant of the Performance Units do not constitute an employment relationship between the Holder and Mattel. The Holder has been granted the Performance Units as a consequence of the commercial relationship between Mattel and the Affiliate in Brazil that employs the Holder (to the extent the Holder is not employed by Mattel), and the Affiliate in Brazil is the Holder's sole employer. Based on the foregoing, (a) the Holder expressly recognizes the Plan and the benefits the Holder may derive from participation in the Plan do not establish any rights between the Holder and the Affiliate in Brazil, (b) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Affiliate in Brazil, and (c) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Affiliate in Brazil, if any.

2. Extraordinary Item of Compensation. The Holder expressly recognizes and acknowledges that the Holder's participation in the Plan is a result of the discretionary and unilateral decision of Mattel, as well as the Holder's free and voluntary decision to participate in the Plan in accord with the terms and conditions of the Plan, the Grant Agreement, and this Addendum. As such, the Holder acknowledges and agrees that Mattel may, in its sole discretion, amend and/or discontinue the Holder's participation in the Plan at any time and without any liability. The value of the Performance Units is an extraordinary item of compensation outside the scope of the Holder's employment contract, if any. The Performance Units are not part of the Holder's regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Affiliate in Brazil.

3. **<u>Compliance with Law</u>**. By accepting the Performance Units, the Holder acknowledges and agrees to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with the settlement of the Performance Units, the issuance and/or sale of shares of Common Stock acquired under the Plan and the receipt of any dividends.

Canada

The following provisions apply if the Holder is a resident of Quebec:

1. **<u>English Language</u>.** The Holder acknowledges and agrees that it is the Holder's express intent that the Grant Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Performance Units, be drawn up in English. If the Holder has received the Grant Agreement, the Plan or any other documents related to the Performance Units translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

<u>Langue anglaise</u>. Le détenteu (« Holder ») reconnaît et consent que c'est l'intention expresse du détenteur que cette convention (« Grant Agreement »), le Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à toute unité d'action assujettie à des restrictions (« Performance Units »), soit rédigés en anglais. Si le détenteur (« Holder ») reçoit cette convention (« Grant Agreement »), le Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan ou tout autre document lié aux unités d'action assujettie à des restrictions (« Performance Units ») dans une langue autre que l'anglais, et si le sens de la version traduite est différent de la version anglaise, la version anglaise contrôlera.

Chile

1. **<u>Securities Law Notice</u>.** The offer of the Performance Units constitutes a private offering in Chile effective as of the Grant Date. The offer of the Performance Units is made subject to general ruling n° 336 of the Chilean Superintendence of Securities and Insurance ("SVS"). The offer refers to securities not registered at the securities registry or at the foreign securities registry of the SVS, and, therefore, such securities are not subject to oversight of the SVS. Given that the Performance Units are not registered in Chile, Mattel is not required to provide information about the Performance Units or the securities in Chile. Unless the Performance Units and/or the securities are registered with the SVS, a public offering of such securities cannot be made in Chile.

Ley de valores. *La oferta de las Unidades se considera una oferta privada in Chile efectiva a partir de la Fecha de la Concesión. La oferta de las Unidades se hace sujeta a la regla general no. 336 de la Superintendencia de Valores y Seguros Chilena ("SVS"). La oferta se refiere a valores no inscritos en el registro de valores o en el registro de valores extranjeros de la SVS y, por lo tanto, tales valores no están sujetos a la fiscalización de ésta. Dado que las Unidades no están registradas en Chile, no se requiere que Mattel provea información sobre las Unidades o valores en Chile. Salvo que las Unidades y/o valores estén registradas con la SVS, no puede hacerse una oferta pública de tales valores en Chile.*

2. **<u>Exchange Control Obligations</u>.** Exchange control regulations in Chile are subject to change. The Holder should consult with his or her personal legal advisor regarding any exchange control obligations that the Holder may have in connection with the settlement of the Performance Units, cash dividends, or the sale of shares of Common Stock acquired at settlement.

China

Notwithstanding anything to the contrary in the Plan or the Grant Agreement, the following provisions will apply if the Holder is a People's Republic of China ("<u>PRC</u>") national or is otherwise determined to be subject to the requirements imposed by the State Administration of Foreign Exchange ("<u>SAFE</u>") as determined by the Company:

1. **<u>Mandatory Sale of Shares of Common Stock</u>**. Upon the issuance of shares of Common Stock in settlement of vested Performance Units, Mattel may require the Holder to sell such shares at any time to the extent the Holder's continued holding of such shares of Common Stock is prohibited under applicable law or is administratively burdensome (in which case, this Grant Agreement shall provide Mattel with the authority to issue sales instructions in relation to such shares of Common Stock on the Holder's behalf).

The Holder further agrees that Mattel is authorized to instruct its designated broker to assist with any mandatory sale of the shares of Common Stock (on the Holder's behalf pursuant to this authorization), and the Holder expressly authorizes such broker to complete the sale of such shares of Common Stock. The Holder acknowledges that Mattel's designated broker is under no obligation to arrange for the sale of the shares of Common Stock at any particular price. Upon the sale of the shares of Common Stock, Mattel agrees to pay the cash proceeds from the sale, less any brokerage fees or commissions, to the Holder in accordance with applicable exchange control laws and regulations and provided any liability for taxes resulting from the settlement of the Performance Units has been satisfied.

2. **Exchange Control Obligations**. The Holder understands and agrees that, due to exchange control laws in China, the Holder will be required to immediately repatriate to China the proceeds from the sale of any shares of Common Stock acquired at settlement of the Performance Units and any dividends received in relation to the shares of Common Stock. The Holder furthers understand that, under local law, such repatriation of the cash proceeds will need to be effectuated through a special exchange control account established by Mattel or a Subsidiary or Affiliate in China, and the Holder hereby consents and agrees that the proceeds from the sale of shares of Common Stock acquired under the Plan and any dividends received in relation to the shares of Common Stock may be transferred to such special account prior to being delivered to the Holder. The proceeds may be paid to the Holder in U.S. dollars or local currency at Mattel's discretion. In the event the proceeds are paid to the Holder in U.S. dollars, the Holder understands that he or she will be required to set up a U.S. dollar bank account in China and provide the bank account details to his or her employer and/or Mattel so that the proceeds may be deposited into this account. The Holder also understands and acknowledges that Mattel may face delays in distributing the proceeds to the Holder due to exchange control requirements in China. As a result, the Holder understands and acknowledges that neither Mattel nor his or her employer can be held liable for any delay in delivering the proceeds to the Holder.
If the proceeds are paid to the Holder in local currency, the Holder acknowledges that Mattel is under no obligation to secure any particular foreign exchange conversion rate and acknowledges that Mattel may face delays in converting the proceeds into local currency due to exchange control restrictions in China. The Holder agrees that Mattel cannot be held liable for any delay in delivering the proceeds to the Holder. The Holder agrees to bear any currency fluctuation risk between the time the shares of Common Stock are sold or dividends are paid and the time the (i) applicable taxes are converted to local currency and remitted to the tax authorities, and (ii) net proceeds are converted to local currency and distributed to the Holder through the special exchange control account.

The Holder agrees to sign any agreements, forms and/or consents that may be reasonably requested by Mattel (or Mattel's designated broker) to effectuate any of the remittances, transfers, conversions or other processes affecting the proceeds. The Holder further agrees to comply with any other requirements that may be imposed by Mattel in the future in order to facilitate compliance with exchange control requirements in China.

France

1. **Nature of the Award**. The Performance Units are not granted under the French specific regime provided by Articles L. 225-197-1 to L. 225-197-6 of the French commercial code.

2. **English Language.** The Holder acknowledges and agrees that it is the Holder's express intent that the Grant Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Performance Units, be drawn up in English. If the Holder has received the Grant Agreement, the Plan or any other documents related to the Performance Units translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

Langue anglaise. Le détenteur (« Holder ») reconnaît et accepte que c'est l'intention expresse du détenteur que la présente convention (« Grant Agreement »), le Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu du droit sur des actions assujetties à des restrictions (« Performance Units »), soient rédigés en anglais. Si le détenteur (« Holder ») reçoit la présente convention (« Grant Agreement »), le Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan ou tout autre document lié aux droits sur des actions assujetties à des restrictions (« Performance Units ») dans une langue autre que l'anglais, et si la signification de la version traduite est différente de la version anglaise, la version anglaise prévaudra.

Hong Kong

1. **IMPORTANT NOTICE**. If the Holder is a resident of Hong Kong, the following provisions apply, notwithstanding any other provision of this Grant Agreement: The contents of the Plan, the Notice, this Grant Agreement, the Addendum, and all other related materials pertaining to the Performance Units and/or the Plan (the "Materials") have not been reviewed by any regulatory authority in Hong Kong. The Holder is hereby advised to exercise caution in relation to the offer thereunder. If the Holder has any doubts about any of the contents of the Materials, the Holder should obtain independent professional advice. The Performance Units and any shares of Common Stock issued thereunder do not constitute a public offering of securities under Hong Kong law and are available only to employees of Mattel and its Affiliates. This Grant Agreement, the Addendum, the Plan, and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. The Performance Units and any documentation related thereto are intended solely for the personal use of each individual award recipient and may not be distributed to any other person.

2. **Nature of the Plan**. Mattel specifically intends that the Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO") and will interpret and administer the Plan consistent with this position.

3. **Wages**. The Performance Units and the shares of Common Stock subject to the Performance Units do not form part of the Holder's wages for the purposes of calculating any statutory or contractual payments under Hong Kong law.

Mexico

1. **Extraordinary Item of Compensation.** The Holder expressly recognizes and acknowledges that the Holder's participation in the Plan is a result of the discretionary and unilateral decision of Mattel, as well as the Holder's free and voluntary decision to participate in the Plan in accord with the terms and conditions of the Plan, the Grant Agreement and this Addendum. As such, the Holder acknowledges and agrees that Mattel may, in its sole discretion, amend and/or discontinue the Holder's participation in the Plan at any time and without any liability. The value of the Performance Units is an extraordinary item of compensation outside the scope of the Holder's employment contract, if any. The Performance Units are not part of the Holder's regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Holder's employer.

Netherlands

1. **Waiver of Termination Rights.** The Holder waives any and all rights to compensation or damages as a result of any Termination of Employment for any reason whatsoever, insofar as those rights result or may result from (a) the loss or diminution in value of such rights or entitlements under the Plan, or (b) the Holder ceasing to have rights under, or ceasing to be entitled to any awards under the Plan as a result of such termination.

New Zealand

1. **Securities Law Notice.**

The Holder is warned that this is an offer of rights to receive shares of Common Stock upon the settlement of the Performance Units subject to the terms of the Grant Agreement. Shares of Common Stock give the Holder a stake in the ownership of Mattel. The Holder may receive a return if dividends are paid. Shares of Common Stock are quoted on the NASDAQ Global Select Market ("Nasdaq"). This means the Holder may be able to sell them on the Nasdaq if there are interested buyers. The Holder may get less than he or she invested. The price will depend on the demand for the shares of Common Stock.

If Mattel runs into financial difficulties and is wound up, the Holder will be paid only after all creditors and holders of preference shares have been paid. The Holder may lose some or all of his or her investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Holder may not be given all the information usually required. The Holder will also have fewer other legal protections for this investment.

In compliance with applicable New Zealand securities laws, the Holder is entitled to receive, in electronic or other form and free of cost, copies of Mattel's latest annual report, relevant financial statements and the auditor's report on said financial statements (if any). The Holder may obtain copies of such documents on written request to equityadm@mattel.com. Filings made with the U.S. SEC also may be found at www.sec.gov.

The Holder should ask questions, read all documents carefully, and seek independent financial advice before acquiring shares of Common Stock.

Russia

1. **No Offering of Securities in Russia.** The grant of the Performance Units is not intended to be an offering of securities within the territory of the Russian Federation, and the Holder acknowledges and understands that the Holder will be unable to make any subsequent sale of the Common Stock acquired pursuant to the Performance Units in the Russian Federation.

South Africa

1. **Tax Withholding**. The following provision supplements Section 9 of the Grant Agreement:

By accepting the Performance Units, the Holder agrees to notify Mattel's Affiliate in South Africa that employs the Holder of the amount of any income realized upon settlement of the Performance Units. If the Holder fails to advise Mattel's Affiliate in South Africa that employs the Holder of the income realized upon settlement of the Performance Units, the Holder may be liable for a fine. The Holder will be responsible for paying any difference between the actual tax liability and the amount withheld.

2. **Exchange Control Obligations**. The Holder solely is responsible for complying with applicable exchange control regulations and rulings (the “Exchange Control Regulations”) in South Africa. As the Exchange Control Regulations change frequently and without notice, the Holder should consult with a legal advisor prior to the acquisition or sale of shares of Common Stock under the Plan to ensure compliance with current Exchange Control Regulations. Mattel shall not be liable for any fines or penalties resulting from the Holder's failure to comply with applicable laws.

3. **Securities Law Notice**. Neither the Performance Units nor the underlying shares of Common Stock shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority.

Spain

1. **Severance for Cause.** Notwithstanding anything to the contrary in the Plan or the Grant Agreement, “Cause” shall be defined in the Plan, irrespective of whether the Severance is or is not considered a fair termination (i.e., “despido procedente”) under Spanish legislation.

2. **Acknowledgement of Discretionary Nature of the Plan; No Vested Rights**. In accepting the Performance Units, the Holder acknowledges that the Holder consents to participation in the Plan and have received a copy of the Plan. The Holder understands that Mattel has unilaterally, gratuitously, and in its sole discretion granted the Performance Units under the Plan to individuals who may be employees of Mattel or its Subsidiaries and Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind Mattel or any of its Subsidiaries or Affiliates on an ongoing basis. Consequently, the Holder understands that the Performance Units are granted on the assumption and condition that the Performance Units and the shares of Common Stock acquired upon settlement of the Performance Units shall not become a part of any employment contract (either with Mattel or any of its Subsidiaries or Affiliates) and shall not be considered a mandatory benefit, salary, for any purposes (including severance compensation) or any other right whatsoever. In addition, the Holder understands that this grant would not be made to the Holder but for the assumptions and conditions referenced above. Thus, the Holder acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the Performance Units shall be null and void.

The Holder understands and agrees that, as a condition of the grant of the Performance Units and unless otherwise provided in the Grant Agreement, the unvested portion of the Performance Units as of the date of the Holder's Termination of Employment will be forfeited without entitlement to the underlying shares of Common Stock or to any amount of indemnification in the event of the Termination of Employment by reason of, but not limited to, (i) material modification of the terms of employment under Article 41 of the Workers’ Statute, or (ii) relocation under Article 40 of the Workers’ Statute. The Holder acknowledges that the Holder has read and specifically accepts the conditions referred to in the Grant Agreement regarding the impact of a Termination of Employment on the Holder's Performance Units.

Switzerland

1. **Securities Law Notice.** The offer of the Performance Units is considered a private offering in Switzerland and therefore is not subject to securities registration in Switzerland. Neither this document nor any other materials relating to the Performance Units (i) constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, (ii) may be publicly distributed or otherwise made publicly available in Switzerland or (iii) has been or will be filed with, approved, or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

Turkey

1. **Securities Law Notice.** The Performance Units are made available only to employees of Mattel and its Affiliates, and the offer of participation in the Plan is a private offering. The grant of the Performance Units and any issuance of shares of Common Stock at settlement take place outside of Turkey. Further, the sale of shares of Common Stock acquired under the Plan must occur outside of Turkey.

United Kingdom

1. **Tax Withholding**. The following provision supplements Section 7 of the Grant Agreement:

Without limitation to Section 7 of the Grant Agreement, the Holder agrees that he or she is liable for all tax-related items related to the Holder’s participation in the Plan and legally applicable to the Holder (“Tax-Related Items”) and hereby covenants to pay all such Tax-Related Items, as and when requested by Mattel or the Affiliate that employs the Holder (the “Employer”), or by Her Majesty’s Revenue & Customs (“HMRC”) (or any other tax authority or other relevant authority). The Holder also hereby agrees to indemnify and keep indemnified Mattel and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or other relevant authority) on the Holder’s behalf.

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GRANT AGREEMENT FOR LONG-TERM INCENTIVE PROGRAM PERFORMANCE-BASED RESTRICTED STOCK UNITS FOR SENIOR EXECUTIVES UNDER THE MATTEL, INC. AMENDED AND RESTATED 2010 EQUITY AND LONG-TERM COMPENSATION PLAN

This is a Grant Agreement (this "Grant Agreement") between Mattel, Inc. ("Mattel") and the individual (the "Holder") named in the Notice of Grant – Performance-Based Restricted Stock Units (the "Notice"). The Notice accompanying this Grant Agreement is deemed a part of this Grant Agreement.

Recitals

Mattel has adopted the Amended and Restated 2010 Equity and Long-Term Compensation Plan, as may be amended from time to time (the "Plan"), for the granting to selected employees of awards based upon shares of Common Stock of Mattel. In accordance with the terms of the Plan, the Compensation Committee of the Board of Directors (the "Committee") has approved the execution of this Grant Agreement between Mattel and the Holder. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Plan.

Restricted Stock Units

1. Grant. Mattel grants to the Holder the number of restricted stock units based on shares of Common Stock set forth in the Notice (the "Performance Units"), subject to adjustment, forfeiture, and the other terms and conditions set forth below, as of the effective date of the grant (the "Grant Date") specified in the Notice. The number of Performance Units specified in the Notice reflects the target number of Performance Units that may be earned by the Holder. The Company and the Holder acknowledge that the Performance Units (a) are being granted hereunder in exchange for the Holder's agreement to provide services to the Company after the Grant Date, for which the Holder will otherwise not be fully compensated, and which the Company deems to have a value at least equal to the aggregate par value of the Shares, if any, that the Holder may become entitled to receive under this Grant Agreement, and (b) will, except as provided in Sections 4 and 5 hereof, be forfeited by the Holder if the Holder's termination of employment occurs before the Settlement Date (as defined in Section 7, below), and are further subject to cancellation (and any shares of Common Stock or cash delivered in settlement of the Performance Units are subject to recapture) if the Holder engages in certain conduct detrimental to the Company, in each case as more fully set forth in this Grant Agreement and the Plan.

2. Performance Criteria. Subject to the Holder's continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Performance Units on the Settlement Date determined based on the achievement of a three-year goal related to free cash flow (the "Company Performance Measure") and the relative total shareholder return ("Relative TSR") during the period beginning on January 1, 2018 and ending on December 31, 2020 (the "Performance Cycle"), in each case, as determined by the Committee.

3. Dividend Equivalent Rights. The Performance Units are granted with Dividend Equivalent rights, as set forth in this Section 3. As of each payment date for any cash dividend or distribution with respect to the Common Stock with a record date on or after the commencement date of the Performance Cycle and before all of the Performance Units are settled or forfeited as set forth below, the Holder shall be credited (without interest) with an additional number of Performance Units, in whole or in fractions thereof, in an amount determined by dividing (i) the aggregate cash dividends that would have been paid on such dividend payment date in respect of the number of shares of Common Stock underlying the Performance Units actually earned by the Holder in accordance with this Grant Agreement, by (ii) the Common Stock closing price on the ex-dividend date (two trading days prior to the record date). All such additional Performance Units shall be subject to the same terms and conditions (including vesting conditions and Dividend Equivalent rights) applicable to the Performance Units in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the Performance Units to which they are related, in accordance with Section 7. Dividend Equivalent rights and any amounts that may become distributable in respect thereof shall be treated separately from the Performance Units and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code.

4. Consequences of Termination of Employment. The consequences of the Holder's termination of employment during the Performance Cycle and before a Change in Control shall be as follows:

i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Performance Units shall be forfeited as of the date of the Termination of Employment. For purposes of this Grant Agreement, the Holder's Termination of Employment shall be considered to be for "Cause" if it is a termination for "Cause" pursuant to an Individual Agreement to which the Holder is a party that is then in effect or, if there is no Individual Agreement in effect that defines "Cause", "Cause" shall have the meaning set forth in the Plan.

ii. In the case of a Termination of Employment after June 30, 2018 (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause), or (b) as a result of the Holder's death or Disability, the number of Performance Units earned shall be determined as follows: first, the Committee shall determine the number of Performance Units earned based on actual achievement of the Company Performance Measure and Relative TSR following the end of the Performance Cycle; and second, the number of Performance Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Performance Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.

iii. In the case of a Termination of Employment (a) by the Company other than for Cause (as defined in Section 4.i, above) or (b) by the Holder for Good Reason (as defined below), the number of Performance Units earned shall be determined as follows: first, the Committee shall determine the number of Performance Units earned based on actual achievement of the Company Performance Measure and Relative TSR following the end of the Performance Cycle; and second, the number of Performance Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Performance Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date. For purposes of this Grant Agreement, the Holder's Termination of Employment shall be considered for "Good Reason" if it is a termination for "Good Reason" pursuant to an Individual Agreement to which the Holder is a party that is then in effect.

iv. In all other cases, the Performance Units shall be forfeited as of the date of the Termination of Employment.

5. <u>Change in Control</u>. If a Change in Control occurs and the Holder has remained continuously employed by the Company until at least immediately prior to the Change in Control, the Performance Units shall not vest in accordance with the terms of Section 18 of the Plan and the number of Performance Units earned shall be determined as follows:

i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Performance Units will not be honored or assumed, or new rights that substantially preserve the terms of the Performance Units substituted therefor, by the Holder's employer (or the parent of such employer) immediately following the Change in Control, the number of Performance Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout, and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and Relative TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).

ii. If the Committee determines that the Performance Units have been assumed and, before the Settlement Date, the Holder has a Termination of Employment by the Company without Cause or by the Holder for Good Reason within the 24-month period immediately following a Change in Control, the number of Performance Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Termination of Employment and Relative TSR (calculated as if the most recently completed fiscal year prior to such Termination of Employment had been the end of the Performance Cycle).

Any Performance Units which are earned pursuant to this Section 5 shall be settled on or within 60 days after the Change in Control or Termination of Employment, as applicable, but in no event later than the Settlement Date, in accordance with Section 7.

6. <u>Termination, Rescission and Recapture</u>. The Holder specifically acknowledges that the Performance Units and any shares of Common Stock or cash delivered in settlement thereof are subject to the provisions of Section 19 of the Plan, entitled "Termination, Rescission and Recapture," which can cause the forfeiture of the Performance Units and/or the recapture of any shares of Common Stock and/or cash delivered in settlement thereof and/or the proceeds of the sale of any such shares of Common Stock. Except as provided in the next sentence, as a condition of the settlement of the Performance Units, the Holder will be required to certify that he or she is in compliance with the terms and conditions of the Plan (including the conditions set forth in Section 19 of the Plan) and, if a Termination of Employment has occurred, to state the name and address of his or her then-current employer or any entity for which the Holder performs business services and his or her title, and shall identify any organization or business in which the Holder owns a greater-than-five-percent equity interest. Section 19 of the Plan is inapplicable, and accordingly such certification shall not be required, after a Termination of Employment of the Holder that occurs within the 24-month period after a Change in Control.

7. <u>Payout of Performance Units</u>. Within 15 business days following the Committee's certification of the Company Performance Measure and Relative TSR for the Performance Cycle in the fiscal year following the end of the Performance Cycle, but in no event later than March 15th of such fiscal year (the "<u>Settlement Date</u>"), subject to Section 9 below, the Company shall settle each earned Unit by delivering to the Holder one share of Common Stock or a cash payment equal to the Fair Market Value of a share of Common Stock, as the Company may in its sole discretion determine (and the Company may settle some Performance Units in shares of Common Stock and some in cash). In the case of Performance Units settled by delivery of shares of Common Stock, the Company shall (a) issue or cause to be delivered to the Holder (or the Holder's Heir, as defined below, if applicable) one or more unlegended stock certificates representing such shares, or (b) cause a book entry for such shares to be made in the name of the Holder (or the Holder's Heir, if applicable). In the case of the Holder's death, the cash and/or shares of Common Stock to be delivered in settlement of Performance Units as described above shall be delivered to the Holder's beneficiary or beneficiaries (as designated in the manner determined by the Committee), or if no beneficiary is so designated or if no beneficiary survives the Holder, then the Holder's administrator, executor, personal representative, or other person to whom the Performance Units are transferred by means of the Holder's will or the laws of descent and distribution (such beneficiary, beneficiaries or other person(s), the "Holder's Heir").

8. Code Section 409A. Mattel believes that the Performance Units do not constitute "deferred compensation" within the meaning of Section 409A of the Code. If Mattel determines after the Grant Date that an amendment to this Grant Agreement is necessary or advisable to ensure that the Performance Units will not be subject to Section 409A of the Code, or alternatively to ensure that they comply with Section 409A of the Code, it may make such amendment, effective as of the Grant Date or at any later date, without the consent of the Holder.

Notwithstanding anything in this Grant Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A of the Code, and such payment or benefit would otherwise be payable or distributable hereunder by reason of the Holder's Termination of Employment, all references to the Holder's Termination of Employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h) (a "Separation from Service"), and the Holder shall not be considered to have a Termination of Employment unless such termination constitutes a Separation from Service with respect to the Holder.

9. Tax Withholding. The Company shall withhold from the cash and/or shares of Common Stock deliverable in settlement of the Performance Units an amount necessary to satisfy the income taxes, social taxes, payroll taxes, and other taxes required to be withheld in connection with such settlement. If such payment is in the form of shares of Common Stock deliverable on the Settlement Date, the Fair Market Value of such shares on the Settlement Date shall not exceed the sums necessary to pay the tax withholding based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Performance Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion. The Company may, in its discretion, withhold any amount necessary to pay the applicable taxes from the Holder's regular salary/wages or any other amounts payable to the Holder, with no withholding of shares of Common Stock, or may require the Holder to submit payment equivalent to the minimum taxes required to be withheld (unless higher withholding is permissible without adverse accounting consequences to Mattel) by means of certified check, cashier's check, or wire transfer.

Further, if the Holder becomes subject to taxation in more than one country between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Holder acknowledges that the Company may be required to withhold or account for taxes in more than one country. In the event the withholding requirements for the applicable taxes are not satisfied, no shares of Common Stock will be issued to the Holder (or the Holder's estate) upon settlement of the Performance Units unless and until satisfactory arrangements (as determined by Mattel in its sole discretion) have been made by the Holder with respect to the payment of any such applicable taxes. By accepting the Performance Units, the Holder expressly consents to the methods of withholding as provided hereunder. All other taxes related to the Performance Units and any shares of Common Stock delivered in settlement thereof shall be the sole responsibility of the Holder.

10. Compliance with Law.

i. No shares of Common Stock shall be issued and delivered pursuant to a vested Unit unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.

ii. If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.

11. Assignability. The Performance Units shall not be transferable by the Holder, other than upon the death of the Holder in accordance with such beneficiary designation procedures or other procedures as Mattel may prescribe from time to time.

12. Certain Corporate Transactions. In the event of certain corporate transactions, the Performance Units shall be subject to adjustment as provided in Section 17 of the Plan. In the event of a Change in Control, these Performance Units shall be subject to the provisions of Section 18 of the Plan.

13. No Additional Rights.

i. Neither the granting of the Performance Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.

ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions and provisions of any such grants.

iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section4 above, if there is a Termination of Employment of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Performance Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.

iv. The Holder's participation in the Plan is voluntary. The value of the Performance Units and any other awards granted under the Plan is an extraordinary item of compensation outside the scope of the Holder's employment (and the Holder's employment contract, if any). Any grant under the Plan, including the grant of the Performance Units, is not part of the Holder's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, holiday pay, pension, or retirement benefits or similar payments.

14. Rights as a Stockholder. Neither the Holder nor the Holder's Heir shall have any rights as a stockholder with respect to any shares represented by the Performance Units unless and until shares of Common Stock have been issued in settlement thereof.

15. Data Privacy Consent.

i. The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing, and transfer of such data in relation to the grant of the Performance Units and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing, and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents, and agrees (where required under applicable law) to the collection, use, processing, and transfer of personal data as described herein.

ii. The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, email address, date of birth, social security, passport, or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Performance Units, or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested, or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering, and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within the

Company’s organization only by those persons requiring access for purposes of the implementation, administration, and operation of the Plan and for the Holder's participation in the Plan.

iii. The Company will transfer Data as necessary for the purpose of implementation, administration, and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration, and management of the Plan. These recipients may be located in the European Economic Area, the United States or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for purposes of implementing, administering, and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.

iv. The Holder may, at any time, exercise the Holder's rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin, and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing, or transfer of the Data which is not necessary or required for the implementation, administration, and/or operation of the Plan and the Holder's participation in the Plan. The Holder may seek to exercise these rights by contacting the Holder's local HR manager.

16. Compliance with Plan. The Performance Units and this Grant Agreement are subject to, and the Company and the Holder agree to be bound by, all of the terms and conditions of the Plan as it shall be amended from time to time, and the rules, regulations, and interpretations relating to the Plan as may be adopted by the Committee, all of which are incorporated herein by reference. No amendment to the Plan or this Grant Agreement shall adversely affect the Performance Units or this Grant Agreement without the consent of the Holder. In the case of a conflict between the terms of the Plan and this Grant Agreement, the terms of the Plan shall govern and this Grant Agreement shall be deemed to be modified accordingly.

17. Effect of Grant Agreement on Individual Agreements. Notwithstanding the provisions of any Individual Agreement, (i) in the case of a conflict between the terms of the Holder’s Individual Agreement and this Grant Agreement, the terms of the Grant Agreement shall govern, and (ii) the vesting and settlement of Performance Units shall in all events occur in accordance with this Grant Agreement to the exclusion of any provisions contained in an Individual Agreement regarding the vesting or settlement of the Performance Units, and any such Individual Agreement provisions shall have no force or effect with respect to the Performance Units.

18. Governing Law. The interpretation, performance and enforcement of this Grant Agreement shall be governed by the laws of the State of Delaware without regard to principles of conflicts of laws. The Holder may only exercise his or her rights in respect of the Plan, the Grant Agreement and these Performance Units to the extent that it would be lawful to do so, and Mattel would not, in connection with this Grant Agreement, be in breach of the laws of any jurisdiction to which the Holder may be subject. The Holder shall be solely responsible to seek advice as to the laws of any jurisdiction to which he or she may be subject, and participation by the Holder in the Plan shall be on the basis of a warranty by the Holder that the Holder may lawfully so participate without Mattel being in breach of the laws of any such jurisdiction.

19. No Advice Regarding Grant. Mattel is not providing any tax, legal or financial advice, nor is Mattel making any recommendations, regarding the Holder’s participation in the Plan or the Holder’s acquisition or sale of the underlying shares of Common Stock. The Holder is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

20. Insider Trading/Market Abuse Laws. The Holder may be subject to insider trading and/or market abuse laws in applicable jurisdictions, including the United States, the Holder’s country of residence, and the Holder’s country of employment (if different) that may affect the Holder's ability to acquire or sell shares of Common Stock under the Plan during such times the Holder is considered to have “inside information” (as defined in the laws of applicable jurisdictions). These laws may be the same or different from any insider trading policy of the Company. The Holder acknowledges that it is the Holder's responsibility to be informed of and compliant with such regulations.

21. Electronic Delivery. Mattel will deliver any documents related to the Performance Units and the Holder’s participation in the Plan, or future awards that may be granted under the Plan, by electronic means unless otherwise determined by Mattel in its sole discretion. The Holder hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Mattel or a third party designated by Mattel.

22. Additional Requirements. Mattel reserves the right to impose other requirements on the Performance Units, any shares of Common Stock acquired pursuant to the Performance Units, and the Holder’s participation in the Plan, to the extent Mattel determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules, and regulations, or to facilitate the operation and administration of the Performance Units and the Plan. Such requirements may include (but are not limited to) requiring the Holder to sign any agreements or undertakings that may be necessary or advisable to accomplish the foregoing.

Notwithstanding any provision of this Grant Agreement to the contrary, if the Holder does not accept the Performance Units (in accordance with the method specified by Mattel) by the six month anniversary of the date of grant, the Performance Units will be deemed accepted by Mattel, and the Holder shall be subject to the terms and conditions of the Plan, the rules, regulations, and interpretations relating to the Plan as may be adopted by the Committee, and this Grant Agreement.

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GRANT AGREEMENT FOR LONG-TERM INCENTIVE PROGRAM PERFORMANCE-BASED RESTRICTED STOCK UNITS FOR SENIOR EXECUTIVES UNDER THE MATTEL, INC. AMENDED AND RESTATED 2010 EQUITY AND LONG-TERM COMPENSATION PLAN

This is a Grant Agreement (this "Grant Agreement") between Mattel, Inc. ("Mattel") and the individual (the "Holder") named in the Notice of Grant – Performance-Based Restricted Stock Units (the "Notice"). The Notice accompanying this Grant Agreement is deemed a part of this Grant Agreement.

Recitals

Mattel has adopted the Amended and Restated 2010 Equity and Long-Term Compensation Plan, as may be amended from time to time (the "Plan"), for the granting to selected employees of awards based upon shares of Common Stock of Mattel. In accordance with the terms of the Plan, the Compensation Committee of the Board of Directors (the "Committee") has approved the execution of this Grant Agreement between Mattel and the Holder. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Plan.

Restricted Stock Units

1. Grant. Mattel grants to the Holder the number of restricted stock units based on shares of Common Stock set forth in the Notice (the "Performance Units"), subject to adjustment, forfeiture, and the other terms and conditions set forth below, as of the effective date of the grant (the "Grant Date") specified in the Notice. The number of Performance Units specified in the Notice reflects the target number of Performance Units that may be earned by the Holder. The Company and the Holder acknowledge that the Performance Units (a) are being granted hereunder in exchange for the Holder's agreement to provide services to the Company after the Grant Date, for which the Holder will otherwise not be fully compensated, and which the Company deems to have a value at least equal to the aggregate par value of the Shares, if any, that the Holder may become entitled to receive under this Grant Agreement, and (b) will, except as provided in Sections 4 and 5 hereof, be forfeited by the Holder if the Holder's termination of employment occurs before the Settlement Date (as defined in Section 7, below), and are further subject to cancellation (and any shares of Common Stock or cash delivered in settlement of the Performance Units are subject to recapture) if the Holder engages in certain conduct detrimental to the Company, in each case as more fully set forth in this Grant Agreement and the Plan.

2. Performance Criteria. Subject to the Holder's continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Performance Units on the Settlement Date determined based on the achievement of a three-year goal related to free cash flow (the "Company Performance Measure") and the relative total shareholder return ("Relative TSR") during the period beginning on January 1, 2018 and ending on December 31, 2020 (the "Performance Cycle"), in each case, as determined by the Committee.

3. Dividend Equivalent Rights. The Performance Units are granted with Dividend Equivalent rights, as set forth in this Section 3. As of each payment date for any cash dividend or distribution with respect to the Common Stock with a record date on or after the commencement date of the Performance Cycle and before all of the Performance Units are settled or forfeited as set forth below, the Holder shall be credited (without interest) with an additional number of Performance Units, in whole or in fractions thereof, in an amount determined by dividing (i) the aggregate cash dividends that would have been paid on such dividend payment date in respect of the number of shares of Common Stock underlying the Performance Units actually earned by the Holder in accordance with this Grant Agreement, by (ii) the Common Stock closing price on the ex-dividend date (two trading days prior to the record date). All such additional Performance Units shall be subject to the same terms and conditions (including vesting conditions and Dividend Equivalent rights) applicable to the Performance Units in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the Performance Units to which they are related, in accordance with Section 7. Dividend Equivalent rights and any amounts that may become distributable in respect thereof shall be treated separately from the Performance Units and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code.

4. Consequences of Termination of Employment. The consequences of the Holder's termination of employment during the Performance Cycle and before a Change in Control shall be as follows:

i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Performance Units shall be forfeited as of the date of the Termination of Employment. For purposes of this Grant Agreement, the Holder's Termination of Employment shall be considered to be for "Cause" if it is a termination for "Cause" pursuant to an Individual Agreement to which the Holder is a party that is then in effect or, if there is no Individual Agreement in effect that defines "Cause", "Cause" shall have the meaning set forth in the Plan.

ii. In the case of a Termination of Employment after June 30, 2018 (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause), or (b) as a result of the Holder's death or Disability, the number of Performance Units earned shall be determined as follows: first, the Committee shall determine the number of Performance Units earned based on actual achievement of the Company Performance Measure and Relative TSR following the end of the Performance Cycle; and second, the number of Performance Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Performance Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.

iii. In the case of a Termination of Employment (a) by the Company other than for Cause (as defined in Section 4.i, above), or (b) by the Holder for Good Reason (as defined in this Section 4.iii.), but only to the extent that an Individual Agreement to which the Holder is a party that is then in effect provides that a "Covered Termination" includes a Termination of Employment by the Holder for Good Reason prior to a Change in Control, the number of Performance Units earned shall be determined as follows: first, the Committee shall determine the number of Performance Units earned based on actual achievement of the Company Performance Measure and Relative TSR following the end of the Performance Cycle; and second, the number of Performance Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Performance Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date. For purposes of this Section 4.iii only, the Holder's Termination of Employment shall be considered to be for "Good Reason" if it is a termination for "Good Reason" pursuant to an Individual Agreement to which the Holder is a party that is then in effect.

iv. In all other cases, the Performance Units shall be forfeited as of the date of the Termination of Employment.

5. <u>Change in Control</u>. If a Change in Control occurs and the Holder has remained continuously employed by the Company until at least immediately prior to the Change in Control, the Performance Units shall not vest in accordance with the terms of Section 18 of the Plan and the number of Performance Units earned shall be determined as follows:

i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Performance Units will not be honored or assumed, or new rights that substantially preserve the terms of the Performance Units substituted therefor, by the Holder's employer (or the parent of such employer) immediately following the Change in Control, the number of Performance Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout, and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and Relative TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).

ii. If the Committee determines that the Performance Units have been assumed and, before the Settlement Date, the Holder has a Termination of Employment by the Company without Cause or by the Holder for Good Reason (as defined below) within the 24-month period immediately following a Change in Control, the number of Performance Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout, and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Termination of Employment and Relative TSR (calculated as if the most recently completed fiscal year prior to such Termination of Employment had been the end of the Performance Cycle).

Any Performance Units which are earned pursuant to this Section 5 shall be settled on or within 60 days after the Change in Control or Termination of Employment, as applicable, but in no event later than the Settlement Date, in accordance with Section 7. For purposes of this Section 5 only, the Holder's Termination of Employment shall be considered to be for "Good Reason" if it is a termination for "Good Reason" pursuant to an Individual Agreement to which the Holder is a party that is then in effect. If the Holder's Individual Agreement does not provide for a termination for "Good Reason," then the Termination of Employment shall be considered to be for "Good Reason" if, without the Holder's express written consent, there is a material diminution in the duties, authority, or responsibilities of the Holder, provided that the Holder gives the Company written notice of the intent to terminate employment within 60 days of the occurrence of such event and the Company fails to cure such event (to the extent curable) within 30 days of its receipt of such notice. If such event is not cured, the Holder must terminate employment within 120 days following the initial occurrence of the event giving rise to the Termination of Employment for Good Reason.

6. <u>Termination, Rescission and Recapture</u>. The Holder specifically acknowledges that the Performance Units and any shares of Common Stock or cash delivered in settlement thereof are subject to the provisions of Section 19 of the Plan, entitled "Termination, Rescission and Recapture," which can cause the forfeiture of the Performance Units and/or the recapture of any shares of Common Stock and/or cash delivered in settlement thereof and/or the proceeds of the sale of any such shares of Common

Stock. Except as provided in the next sentence, as a condition of the settlement of the Performance Units, the Holder will be required to certify that he or she is in compliance with the terms and conditions of the Plan (including the conditions set forth in Section 19 of the Plan) and, if a Termination of Employment has occurred, to state the name and address of his or her then-current employer or any entity for which the Holder performs business services and his or her title, and shall identify any organization or business in which the Holder owns a greater-than-five-percent equity interest. Section 19 of the Plan is inapplicable, and accordingly such certification shall not be required, after a Termination of Employment of the Holder that occurs within the 24-month period after a Change in Control.

7. Payout of Performance Units. Within 15 business days following the Committee's certification of the Company Performance Measure and Relative TSR for the Performance Cycle in the fiscal year following the end of the Performance Cycle, but in no event later than March 15th of such fiscal year (the "Settlement Date"), subject to Section 9 below, the Company shall settle each earned Unit by delivering to the Holder one share of Common Stock or a cash payment equal to the Fair Market Value of a share of Common Stock, as the Company may in its sole discretion determine (and the Company may settle some Performance Units in shares of Common Stock and some in cash). In the case of Performance Units settled by delivery of shares of Common Stock, the Company shall (a) issue or cause to be delivered to the Holder (or the Holder's Heir, as defined below, if applicable) one or more unlegended stock certificates representing such shares, or (b) cause a book entry for such shares to be made in the name of the Holder (or the Holder's Heir, if applicable). In the case of the Holder's death, the cash and/or shares of Common Stock to be delivered in settlement of Performance Units as described above shall be delivered to the Holder's beneficiary or beneficiaries (as designated in the manner determined by the Committee), or if no beneficiary is so designated or if no beneficiary survives the Holder, then the Holder's administrator, executor, personal representative, or other person to whom the Performance Units are transferred by means of the Holder's will or the laws of descent and distribution (such beneficiary, beneficiaries or other person(s), the "Holder's Heir").

8. Code Section 409A. Mattel believes that the Performance Units do not constitute "deferred compensation" within the meaning of Section 409A of the Code. If Mattel determines after the Grant Date that an amendment to this Grant Agreement is necessary or advisable to ensure that the Performance Units will not be subject to Section 409A of the Code, or alternatively to ensure that they comply with Section 409A of the Code, it may make such amendment, effective as of the Grant Date or at any later date, without the consent of the Holder.

Notwithstanding anything in this Grant Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A of the Code, and such payment or benefit would otherwise be payable or distributable hereunder by reason of the Holder's Termination of Employment, all references to the Holder's Termination of Employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h) (a "Separation from Service"), and the Holder shall not be considered to have a Termination of Employment unless such termination constitutes a Separation from Service with respect to the Holder.

9. Tax Withholding. The Company shall withhold from the cash and/or shares of Common Stock deliverable in settlement of the Performance Units an amount necessary to satisfy the income taxes, social taxes, payroll taxes, and other taxes required to be withheld in connection with such settlement. If such payment is in the form of shares of Common Stock deliverable on the Settlement Date, the Fair Market Value of such shares on the Settlement Date shall not exceed the sums necessary to pay the tax withholding based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Performance Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion. The Company may, in its discretion, withhold any amount necessary to pay the applicable taxes from the Holder's regular salary/wages or any other amounts payable to the Holder, with no withholding of shares of Common Stock, or may require the Holder to submit payment equivalent to the minimum taxes required to be withheld (unless higher withholding is permissible without adverse accounting consequences to Mattel) by means of certified check, cashier's check, or wire transfer.

Further, if the Holder becomes subject to taxation in more than one country between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Holder acknowledges that the Company may be required to withhold or account for taxes in more than one country. In the event the withholding requirements for the applicable taxes are not satisfied, no shares of Common Stock will be issued to the Holder (or the Holder's estate) upon settlement of the Performance Units unless and until satisfactory arrangements (as determined by Mattel in its sole discretion) have been made by the Holder with respect to the payment of any such applicable taxes. By accepting the Performance Units, the Holder expressly consents to the methods of withholding as provided hereunder. All other taxes related to the Performance Units and any shares of Common Stock delivered in settlement thereof shall be the sole responsibility of the Holder.

10. Compliance with Law.

i. No shares of Common Stock shall be issued and delivered pursuant to a vested Unit unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.

ii. If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.

11. Assignability. The Performance Units shall not be transferable by the Holder, other than upon the death of the Holder in accordance with such beneficiary designation procedures or other procedures as Mattel may prescribe from time to time.

12. Certain Corporate Transactions. In the event of certain corporate transactions, the Performance Units shall be subject to adjustment as provided in Section 17 of the Plan. In the event of a Change in Control, these Performance Units shall be subject to the provisions of Section 18 of the Plan.

13. No Additional Rights.

i. Neither the granting of the Performance Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.

ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions and provisions of any such grants.

iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section4 above, if there is a Termination of Employment of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Performance Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.

iv. The Holder's participation in the Plan is voluntary. The value of the Performance Units and any other awards granted under the Plan is an extraordinary item of compensation outside the scope of the Holder's employment (and the Holder's employment contract, if any). Any grant under the Plan, including the grant of the Performance Units, is not part of the Holder's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, holiday pay, pension or retirement benefits, or similar payments.

14. Rights as a Stockholder. Neither the Holder nor the Holder's Heir shall have any rights as a stockholder with respect to any shares represented by the Performance Units unless and until shares of Common Stock have been issued in settlement thereof.

15. Data Privacy Consent.

i. The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing, and transfer of such data in relation to the grant of the Performance Units and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing, and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing, and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents, and agrees (where required under applicable law) to the collection, use, processing, and transfer of personal data as described herein.

ii. The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, email address, date of birth, social security, passport, or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Performance Units, or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested, or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering, and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration, and operation of the Plan and for the Holder's participation in the Plan.

iii. The Company will transfer Data as necessary for the purpose of implementation, administration, and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration, and management of the Plan. These recipients may be located in the European Economic Area, the United States, or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for purposes of implementing, administering, and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.

iv. The Holder may, at any time, exercise the Holder's rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin, and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing, or transfer of the Data which is not necessary or required for the implementation, administration, and/or operation of the Plan and the Holder's participation in the Plan. The Holder may seek to exercise these rights by contacting the Holder's local HR manager.

16. Compliance with Plan. The Performance Units and this Grant Agreement are subject to, and the Company and the Holder agree to be bound by, all of the terms and conditions of the Plan as it shall be amended from time to time, and the rules, regulations, and interpretations relating to the Plan as may be adopted by the Committee, all of which are incorporated herein by reference. No amendment to the Plan or this Grant Agreement shall adversely affect the Performance Units or this Grant Agreement without the consent of the Holder. In the case of a conflict between the terms of the Plan and this Grant Agreement, the terms of the Plan shall govern and this Grant Agreement shall be deemed to be modified accordingly.

17. Effect of Grant Agreement on Individual Agreements. Notwithstanding the provisions of any Individual Agreement, (i) in the case of a conflict between the terms of the Holder's Individual Agreement and this Grant Agreement, the terms of the Grant Agreement shall govern, and (ii) the vesting and settlement of Performance Units shall in all events occur in accordance with this Grant Agreement to the exclusion of any provisions contained in an Individual Agreement regarding the vesting or settlement of the Performance Units, and any such Individual Agreement provisions shall have no force or effect with respect to the Performance Units.

18. Governing Law. The interpretation, performance and enforcement of this Grant Agreement shall be governed by the laws of the State of Delaware without regard to principles of conflicts of laws. The Holder may only exercise his or her rights in respect of the Plan, the Grant Agreement and these Performance Units to the extent that it would be lawful to do so, and Mattel would not, in connection with this Grant Agreement, be in breach of the laws of any jurisdiction to which the Holder may be subject. The Holder shall be solely responsible to seek advice as to the laws of any jurisdiction to which he or she may be subject, and participation by the Holder in the Plan shall be on the basis of a warranty by the Holder that the Holder may lawfully so participate without Mattel being in breach of the laws of any such jurisdiction.

19. No Advice Regarding Grant. Mattel is not providing any tax, legal or financial advice, nor is Mattel making any recommendations, regarding the Holder's participation in the Plan or the Holder's acquisition or sale of the underlying shares of Common Stock. The Holder is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

20. Insider Trading/Market Abuse Laws. The Holder may be subject to insider trading and/or market abuse laws in applicable jurisdictions, including the United States, the Holder's country of residence, and the Holder's country of employment (if different) that may affect the Holder's ability to acquire or sell shares of Common Stock under the Plan during such times the Holder is considered to have "inside information" (as defined in the laws of applicable jurisdictions). These laws may be the same or different from any insider trading policy of the Company. The Holder acknowledges that it is the Holder's responsibility to be informed of and compliant with such regulations.

21. **Electronic Delivery**. Mattel will deliver any documents related to the Performance Units and the Holder's participation in the Plan, or future awards that may be granted under the Plan, by electronic means unless otherwise determined by Mattel in its sole discretion. The Holder hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Mattel or a third party designated by Mattel.

22. **Additional Requirements**. Mattel reserves the right to impose other requirements on the Performance Units, any shares of Common Stock acquired pursuant to the Performance Units, and the Holder's participation in the Plan, to the extent Mattel determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules, and regulations, or to facilitate the operation and administration of the Performance Units and the Plan. Such requirements may include (but are not limited to) requiring the Holder to sign any agreements or undertakings that may be necessary or advisable to accomplish the foregoing.

Notwithstanding any provision of this Grant Agreement to the contrary, if the Holder does not accept the Performance Units (in accordance with the method specified by Mattel) by the six month anniversary of the date of grant, the Performance Units will be deemed accepted by Mattel, and the Holder shall be subject to the terms and conditions of the Plan, the rules, regulations, and interpretations relating to the Plan as may be adopted by the Committee, and this Grant Agreement.

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June 12, 2018

Ynon Kreiz

VIA ELECTRONIC DELIVERY

Dear Ynon,

This letter confirms our discussions regarding the allocation of your 2018 long-term incentive (“LTI”) grant value, which is comprised of equity-based awards in the form of Performance Units, granted under the 2018-2020 Long-Term Incentive Program (“LTIP”), and annual equity grants of stock options and restricted stock units (“RSUs”). As discussed, notwithstanding anything contained in your offer letter with Mattel, dated April 19, 2018, your 2018 LTI grant value will be allocated 50% in Performance Units and the remaining 50% will be allocated between stock options and RSUs as determined by the Compensation Committee. The allocation of your LTI grant value in subsequent years will be determined by the Compensation Committee.

This letter further confirms your acknowledgement that neither the foregoing nor any action taken by Mattel in connection therewith will constitute a breach of, or “Good Reason” for purposes of, your offer letter or any other agreement between you and Mattel, or any Mattel plan or other arrangement, and you hereby consent to the foregoing.

Sincerely,

/s/ Michael J. Dolan

Michael J. Dolan
Chair, Compensation Committee

Acknowledged, Agreed, and Consented To,
this 12th day of June, 2018:

/s/ Ynon Kreiz

Ynon Kreiz

EXHIBIT 10.9

June 12, 2018

Joseph J. Euteneuer

VIA ELECTRONIC DELIVERY

Dear Joe,

This letter confirms our discussions regarding the allocation of your 2018 long-term incentive (“LTI”) grant value, which is comprised of equity-based awards in the form of Performance Units, granted under the 2018-2020 Long-Term Incentive Program (“LTIP”), and annual equity-based grants of stock options and restricted stock units (“RSUs”). As discussed, notwithstanding anything contained in your offer letter with Mattel, dated September 25, 2017, your 2018 LTI grant value will be allocated 50% in Performance Units and the remaining 50% will be allocated between stock options and RSUs as determined by the Compensation Committee. The allocation of your LTI grant value in subsequent years will be determined by the Compensation Committee.

This letter further confirms your acknowledgement that neither the foregoing nor any action taken by Mattel in connection therewith will constitute a breach of, or “Good Reason” for purposes of, your offer letter or any other agreement between you and Mattel, or any Mattel plan or other arrangement, and you hereby consent to the foregoing.

Sincerely,

/s/ Amanda Thompson

Amanda Thompson
EVP and Chief People Officer

Acknowledged, Agreed, and Consented To,
this 12th day of June, 2018:

/s/ Joseph J. Euteneuer

Joseph J. Euteneuer

EXHIBIT 12.0

MATTEL, INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF (LOSS) EARNINGS TO FIXED CHARGES

(Unaudited; in thousands, except ratios)	For the Six Months Ended June 30, 2018	For the Years Ended December 31, 2017	2016	2015	2014	2013
(Loss) Earnings Available for Fixed Charges:						
(Loss) income from continuing operations before income taxes	$ (547,927)	$ (504,987)	$ 409,742	$ 463,915	$ 586,910	$ 1,099,128
Add:						
Interest expense	84,546	105,214	95,118	85,270	79,271	78,505
Appropriate portion of rents (a)	20,411	45,799	36,708	38,297	40,291	37,006
(Loss) earnings available for fixed charges	$ (442,970)	$ (353,974)	$ 541,568	$ 587,482	$ 706,472	$ 1,214,639
Fixed Charges:						
Interest expense	$ 84,546	$ 105,214	$ 95,118	$ 85,270	$ 79,271	$ 78,505
Appropriate portion of rents (a)	20,411	45,799	36,708	38,297	40,291	37,006
Fixed charges	$ 104,957	$ 151,013	$ 131,826	$ 123,567	$ 119,562	$ 115,511
Ratio of (loss) earnings to fixed charges	(c)	(b)	4.11 X	4.75 X	5.91 X	10.52 X

(a) *Portion of rental expenses which is deemed representative of an interest factor, which is approximately one-third of total rental expense.*
(b) *(Loss) earnings available for fixed charges for the year-ended December 31, 2017 were inadequate to cover fixed charges by $505.0 million.*
(c) *(Loss) earnings available for fixed charges for the six months ended June 30, 2018 were inadequate to cover fixed charges by $547.9 million.*

EXHIBIT 31.0

CERTIFICATION

I, Ynon Kreiz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mattel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 25, 2018	By:	/s/ Ynon Kreiz

Ynon Kreiz
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.1

CERTIFICATION

I, Joseph J. Euteneuer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mattel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 25, 2018	By:	/s/ Joseph J. Euteneuer
			Joseph J. Euteneuer **Chief Financial Officer** **(Principal Financial Officer)**

EXHIBIT 32.0

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Mattel, Inc. a Delaware corporation (the “Company”), on Form 10-Q for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission (the “Report”), Ynon Kreiz, Chief Executive Officer, and Joseph J. Euteneuer, Chief Financial Officer, of the Company, do each hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 25, 2018

By: /s/ Ynon Kreiz

Ynon Kreiz
Chief Executive Officer

/s/ Joseph J. Euteneuer

Joseph J. Euteneuer
Chief Financial Officer