

# **Mattel, Inc.**

# **Earnings Conference Call**

# **Third Quarter 2017**

(Unaudited Results)



**OCTOBER 26, 2017**

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**JOE EUTENEUER – CHIEF FINANCIAL OFFICER**





**FORWARD-LOOKING STATEMENTS:** This presentation contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 the Mattel’s customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel’s customers, including the bankruptcy 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 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 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 as may be described in Mattel’s periodic filings with the Securities and Exchange Commission, including the “Risk Factors” section of Mattel’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and Mattel’s Quarterly Reports on Form 10-Q for fiscal year 2017, as well as in Mattel’s other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so.

**REGULATION G:** To supplement the financial results presented in accordance with generally accepted accounting principles in the United States (“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 used herein include: gross sales, adjusted gross margin and adjusted gross profit, adjusted other selling and administrative expenses, adjusted operating income (loss), adjusted earnings (loss) per share and constant currency. Mattel uses these metrics to analyze its continuing operations and to monitor, assess and identify meaningful trends in its operating and financial performance, and each is discussed in detail on the following page. These measures are not, and should not be viewed as, substitutes for GAAP financial measures. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the attached Appendix and in our earnings release, which is available in the “Investors” section of our corporate website, <http://corporate.mattel.com/>, under the subheading “Financial Information – Earnings Releases.”



# Glossary of Non-GAAP Financial Measures



## **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. 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.



## **Adjusted net sales**

Adjusted net sales represents Mattel's reported net sales, adjusted to exclude the net sales reversal related to Toys "R" Us filing for bankruptcy. Adjusted net sales is presented to provide additional perspective on underlying trends in Mattel's core net sales, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.



## **Adjusted gross profit and adjusted gross margin**

Adjusted gross profit and adjusted gross margin represent reported gross profit and reported gross margin, respectively, adjusted to exclude the net sales reversal related to Toys "R" Us filing for bankruptcy. Adjusted gross margin represents Mattel's adjusted gross margin, as a percentage of adjusted net sales. Adjusted gross profit and adjusted gross margin are presented to provide additional perspective on underlying trends in Mattel's core gross profit and gross margin, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.



## **Adjusted other selling and administrative expenses**

Adjusted other selling and administrative expenses represents Mattel's reported other selling and administrative expenses, adjusted to exclude the impact of expenses associated with the acquisition and integration of an acquired business, restructuring and restructuring-related expenses, non-recurring executive compensation and asset impairments, which are not part of Mattel's core business. Adjusted other selling and administrative expenses is presented to provide additional perspective on underlying trends in Mattel's core other selling and administrative expenses, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.



## **Adjusted operating income (loss)**

Adjusted operating income (loss) represents Mattel's reported operating loss, adjusted to exclude the impact of expenses associated with the acquisition and integration of an acquired business, restructuring and restructuring-related expenses, non-recurring executive compensation, asset impairments and the net sales reversal related to Toys "R" Us filing for bankruptcy, which are not part of Mattel's core business. Adjusted operating income (loss) is presented to provide additional perspective on underlying trends in Mattel's core operating results, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.



## **Adjusted earnings (loss) per share**

Adjusted earnings (loss) per share represents Mattel's reported diluted earnings (loss) per common share, adjusted to exclude the impact of expenses associated with the acquisition and integration of an acquired business, restructuring and restructuring-related expenses, sale of non-core assets, non-recurring executive compensation, asset impairments, the net sales reversal related to Toys "R" Us filing for bankruptcy and currency devaluations, which are not part of Mattel's core business. The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, and dividing by the reported weighted average number of common and potential common shares. Adjusted earnings (loss) per share also excludes the impact of the valuation allowance established for the portion of deferred tax assets Mattel believes will likely not be realized. Adjusted earnings (loss) per share is presented to provide additional perspective on underlying trends in Mattel's core business. Mattel believes it is useful supplemental information for investors to gauge and compare Mattel's current earnings results from one period to another. Adjusted earnings (loss) per share is a performance measure and should not be used as a measure of liquidity.



## **Constant currency**

Percentage changes in results expressed in constant currency are presented excluding the impact from changes in currency exchange rates. To present this information, Mattel calculates constant currency information by translating current period and prior period results for entities reporting in currencies other than the US dollar using consistent exchange rates. The consistent 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. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from changes in currency exchange rates. Mattel analyzes constant currency results to provide additional perspective on changes in underlying trends in Mattel's operating performance. Mattel believes that the disclosure of the percentage change in constant currency 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 change in constant currency enhances investor's ability to compare financial results from one period to another.



# Q3 2017 FINANCIAL PERFORMANCE



# Q3 2017 Key Takeaways

- **Q3 gross sales down primarily due to weakening North American performance and Toys “R” Us filing for bankruptcy**
  - Worldwide gross sales down 13% as reported, and down 15% in constant currency, versus the prior year
  - International region gross sales remained largely flat, with growth of 0% as reported and down 2% in constant currency
  - North American region gross sales down 22% as reported and in constant currency
  - As a result of Toys “R” Us filing for bankruptcy, we recorded a gross sales reversal of \$47 million
- **P&L reflects significant gross margin compression**
  - Reported gross margin of 41.5%, down 700 basis points, and adjusted gross margin\* of 43.0%, down 550 basis points year-over-year. Decline driven mainly by unfavorable product mix, increases in freight & distribution, lower licensing income and higher royalty expense
  - As reported SG&A expense up \$31 million and adjusted SG&A\* expense up \$7 million versus prior year, driven by employee-related costs and investments in American Girl (new flagship store in New York City)
  - Q3 reported loss per share of \$1.75 and adjusted earnings per share\* of \$0.09
- **Focused on executing and enhancing the strategy outlined in June to effectively position Mattel for the future and deliver enhanced, sustainable growth over the medium term**
- **Board of Directors suspended the dividend to facilitate the strategic investments outlined in June, to increase financial flexibility and strengthen our balance sheet**

\*See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures

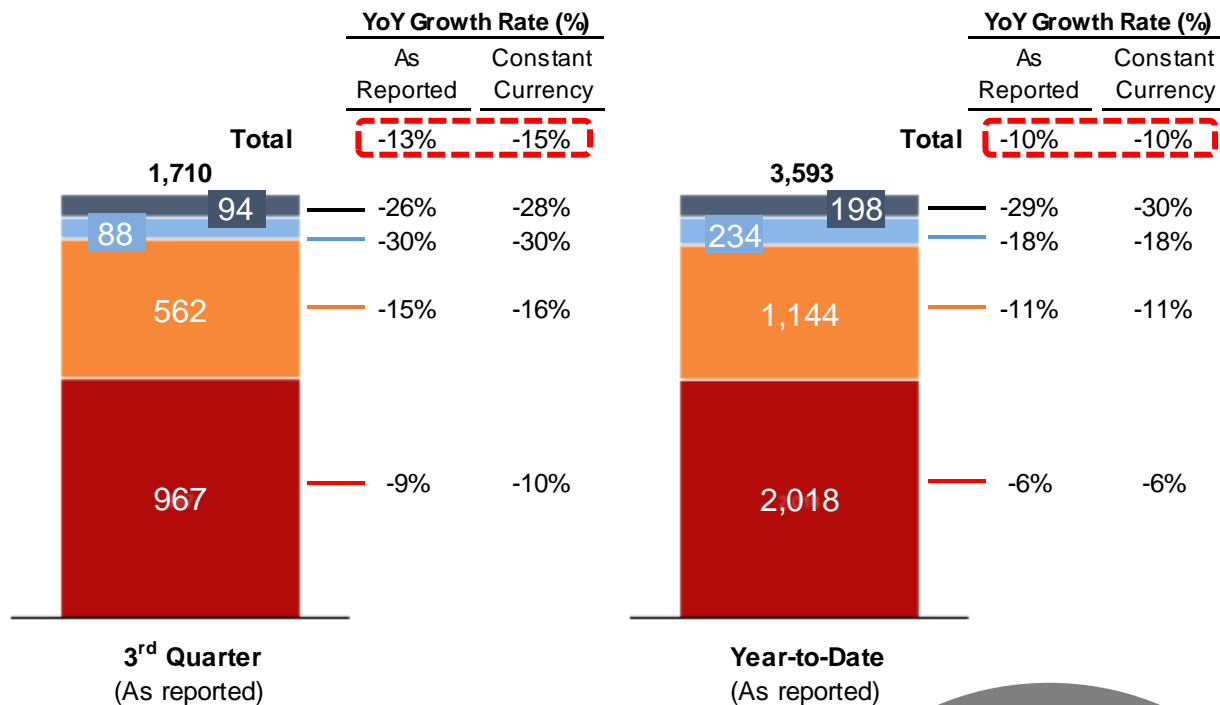
\*\*Mattel internal analysis, at wholesale; excludes American Girl



# Worldwide Gross Sales by Brand\*

## Third Quarter 2017 (\$ in Millions – Unaudited)

- Construction / Arts & Crafts / Other
- American Girl
- Fisher-Price
- Mattel Girls & Boys



### Q3 Constant Currency Narrative

#### Mattel Brands

- Declines in Monster High, DC Super Hero girls, and Barbie

#### Fisher-Price

- Declines driven by Thomas & Friends and infant products

#### American Girl

- Declines driven by lower licensing income and initial sales in the prior year through external distribution channels

#### Const./A&C/Other

- Declines in Construction due to MEGA BLOKS licensed properties and preschool products

Declines in overall gross sales due to Toys “R” Us filing for bankruptcy, which resulted in a gross sales reversal of \$47M and a period of time beginning in early September during which Mattel slowed shipping to TRU, leading to a further loss of revenue in the third quarter

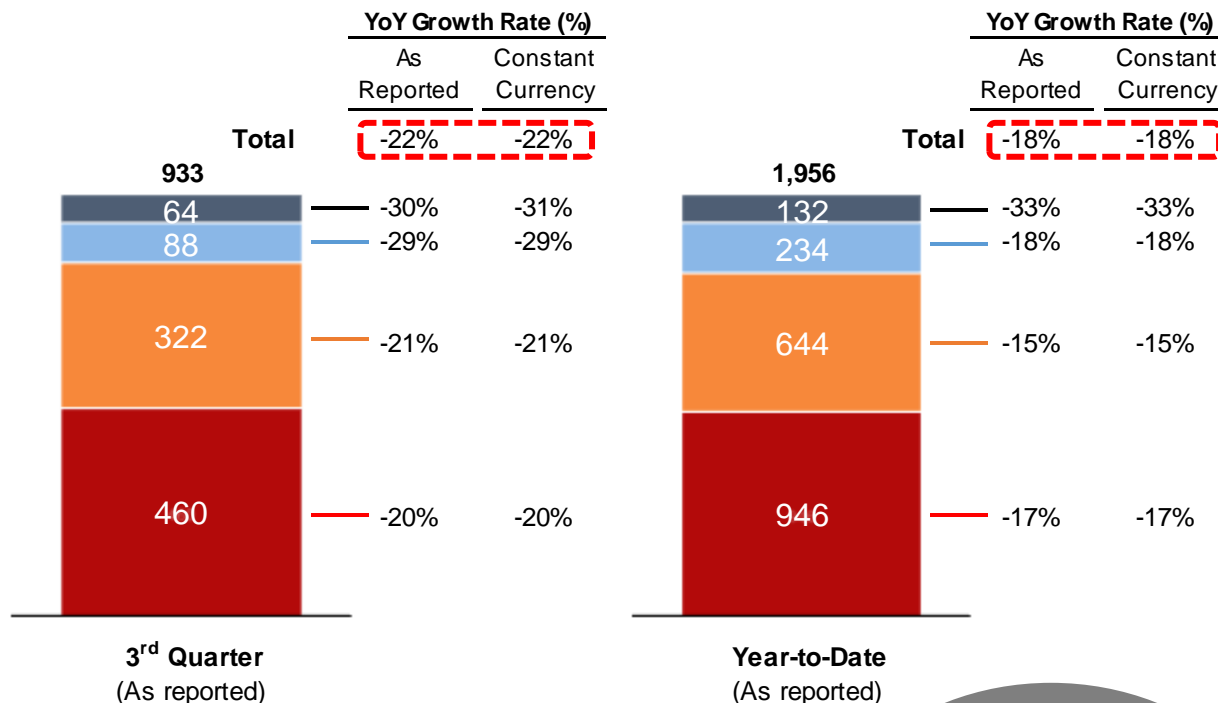
\*See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures



# North American Region Gross Sales by Brand\*

## Third Quarter 2017 (\$ in Millions – Unaudited)

- Construction / Arts & Crafts / Other
- American Girl
- Fisher-Price
- Mattel Girls & Boys



### Q3 Constant Currency Narrative

#### Mattel Brands

- Declines in Monster High, DC Super Hero Girls, Minecraft, Hot Wheels, and Barbie

#### Fisher-Price

- Declines driven by infant products and Thomas & Friends

#### American Girl

- Declines driven by lower licensing income and initial sales in the prior year through external distribution channels

#### Const./A&C/Other

- Declines in Construction due to MEGA BLOKS licensed properties and preschool products

Declines in overall gross sales due to Toys “R” Us filing for bankruptcy, which resulted in a gross sales reversal of \$47M and a period of time beginning in early September during which Mattel slowed shipping to TRU, leading to a further loss of revenue in the third quarter

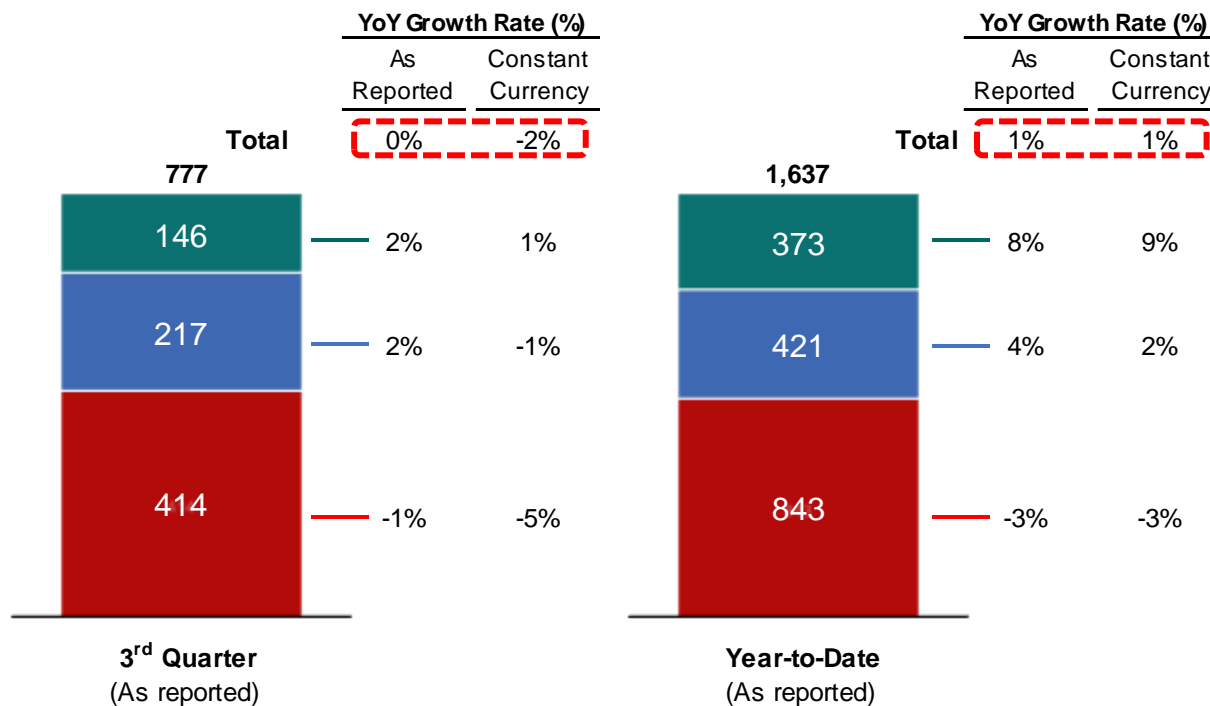
\*See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures  
Note: North American Region includes U.S., Canada and American Girl (see Appendix)



# International Gross Sales by Region\*

## Third Quarter 2017 (\$ in Millions – Unaudited)

- Asia Pacific
- Latin America
- Europe



### Q3 Constant Currency Narrative

#### Europe

- Declines in several Western European markets and Russia, partially offset by growth in France and Central Eastern Europe

#### Latin America

- Decline in Brazil, partially offset by growth in Argentina and Colombia

#### Asia Pacific

- Growth in China and Korea, partially offset by declines in Australia and Indonesia

\*See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures  
Note: International Region includes International Division (see Appendix)





# Adjusted Gross Margin\*

## Third Quarter 2017

(As a Percentage of Net Sales – Unaudited)

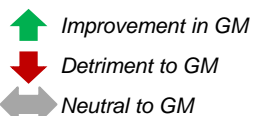
	Quarter	Year-to-Date
<b>Prior Year Adjusted:</b>	<b>48.5%</b>	<b>46.7%</b>
Change Primarily Driven By:		
Product Mix		
Freight & Distribution		
Licensing		
Royalty Expense		
Product Costs		
Pricing		
Currency		
<b>Current Year:</b>	<b>43.0%</b>	<b>41.3%</b>
<b>Change:</b>	<b>(550)bps</b>	<b>(540)bps</b>
<b>Memo: Gross Margin (as reported)</b>	<b>41.5%</b>	<b>40.5%</b>

### Q3 2017 Drivers

- **Decline driven by:**
  - Unfavorable product mix
  - Freight & distribution
  - Lower licensing income
  - Higher royalty expense

### 2017 Adjustments (\$ in Millions)

	Q3	YTD
<b>2017 as reported</b>	<b>\$ 647</b>	<b>\$1,326</b>
○ Toys "R" Us Net Sales Reversal***	43	43
<b>2017 adjusted</b>	<b>\$ 690</b>	<b>\$1,369</b>



\*See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures  
 \*\*\* As a result of Toys "R" Us filing for bankruptcy, Mattel reversed Net Sales for the estimated uncollectible portion of its outstanding receivables. As such, Gross Profit, As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding Net Sales.



# Adjusted SG&A\*

## Third Quarter 2017

(\$ in Millions and as a Percentage of Net Sales – Unaudited)

	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
<b>Prior Year Adjusted:</b>	\$343.8	19.1%	\$1,016.8	28.1%
Change Primarily Driven By:				
Employee-Related Costs				
Other				
American Girl and China Investments				
Incentive and Equity Compensation				
Cost Savings				
Currency				
<b>Current Year Adjusted:</b>	\$350.8	21.9%	\$1,022.2	30.8%
<b>Change:</b>	\$7.0	280bps	\$5.4	270bps
<b>Memo: SG&amp;A (as reported)</b>	\$381.8	24.5%	\$1,066.9	32.6%

Improvement in SG&A

Detriment to SG&A

Neutral to SG&A

\*See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures

### Q3 2017 Drivers

- Adjusted SG&A up vs. prior year (up \$31.3 million as reported)
- Primarily driven by higher employee-related costs and the American Girl store in New York

### 2017 Adjustments (\$ in Millions)

	Q3	YTD
<b>2017 as reported</b>	\$ 382	\$1,067
○ Non-Recurring Exec. Comp.	(4)	(8)
○ Severance/Restructuring	(13)	(22)
○ Asset Impairments	(15)	(15)
<b>2017 adjusted</b>	\$ 351	\$1,022



# Adjusted Operating Income (Loss)\*

## Third Quarter 2017

(\$ in Millions and as a Percentage of Net Sales – Unaudited)

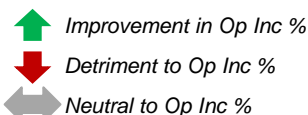
	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
<b>Prior Year Adjusted:</b>	\$324.1	18.1%	\$291.6	8.1%
Change Primarily Driven By:				
Adjusted Gross Margin				
Volume				
Adjusted SG&A				
Currency				
<b>Current Year Adjusted:</b>	\$159.7	10.0%	\$(2.3)	(0.1)%
<b>Change:</b>	\$(164.4)	(810)bps	\$(293.9)	(820)bps
<b>Memo: Operating Income (as reported)</b>	<b>\$85.7</b>	<b>5.5%</b>	<b>\$(90.0)</b>	<b>(2.8)%</b>

### Q3 2017 Drivers

- Lower adjusted gross margin primarily due to unfavorable product mix, freight & distribution, lower licensing revenue and higher royalty expense
- Adjusted SG&A up in absolute dollars (up as a percentage of sales), driven by employee-related costs and American Girl store in New York
- Advertising expense down in absolute dollars (up slightly as a percentage of sales)

### 2017 Adjustments (\$ in Millions)

	Q3	YTD
<b>2017 as reported</b>	<b>\$ 86</b>	<b>\$ (90)</b>
○ Toys "R" Us Net Sales Reversal**	43	43
○ Non-Recurring Exec. Comp.	4	8
○ Severance/Restructuring	13	22
○ Asset Impairments	15	15
<b>2017 adjusted</b>	<b>\$ 160</b>	<b>\$ (2)</b>



\* See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures

\*\* As a result of Toys "R" Us filing for bankruptcy, Mattel reversed Net Sales for the estimated uncollectible portion of its outstanding receivables. As such, Gross Profit, As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding Net Sales.



# Adjusted EPS\*

**Third Quarter 2017**  
(\$ Per Share – Unaudited)

	Quarter	Year-to-Date
<b>Prior Year Adjusted:</b>	<b>\$0.70</b>	<b>\$0.55</b>
Change Primarily Driven By:		
Tax Expense		
Adjusted Gross Margin		
Volume		
Adjusted SG&A		
Currency		
<b>Current Year Adjusted:</b>	<b>\$0.09</b>	<b>\$(0.37)</b>
<b>Change:</b>	<b>\$(0.61)</b>	<b>\$(0.92)</b>
<b>Memo: EPS (as reported)</b>	<b>\$(1.75)</b>	<b>\$(2.25)</b>

**Q3 Adj. Net Sales** down 12% in constant currency

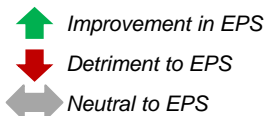
**Q3 Adj. Gross Margin** impacted by product mix, freight & distribution and lower licensing income

**Q3 Adj. SG&A** primarily driven by higher employee-related costs and the American Girl store in New York

## 2017 Adjustments (\$ Per Share)

	Q3	YTD
<b>2017 as reported</b>	<b>\$(1.75)</b>	<b>\$(2.25)</b>
○ Toys "R" Us Net Sales Reversal**	\$ 0.13	\$ 0.13
○ Non-Recurring Exec. Comp.	\$ 0.01	\$ 0.03
○ Severance/Restructuring	\$ 0.04	\$ 0.06
○ Asset Impairments	\$ 0.04	\$ 0.04
○ Tax Effect of Adjustments***	\$ (0.01)	\$ (0.01)
○ Valuation Allowance on Deferred Tax Assets	\$ 1.63	\$ 1.63
<b>2017 adjusted</b>	<b>\$ 0.09</b>	<b>\$(0.37)</b>

\* See Non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures  
 \*\* As a result of Toys "R" Us filing for bankruptcy, Mattel reversed Net Sales for the estimated uncollectible portion of its outstanding receivables. As such, Gross Profit, As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding Net Sales.  
 \*\*\* The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, and dividing by the reported weighted average number of common and potential common shares





# Cash Flow

## Nine Months ending 2017 (\$ in Millions – Unaudited)

	2017	2016
Net (Loss) Income	\$ (773)	\$ 144
Depreciation	180	178
Amortization	16	20
Asset Impairment	15	-
Valuation Allowance on Deferred Tax Assets	562	-
Change in Working Capital & Other	(740)	(673)
<b>Net Cash (Used for) Operations</b>	<b>(740)</b>	<b>(331)</b>
Capital Spending	(235)	(179)
Acquisitions	-	(33)
Other Investing	60	7
<b>Net Cash (Used for) Investing</b>	<b>(175)</b>	<b>(205)</b>
Net Proceeds (Payments) from Short-term Borrowings	540	(17)
Net Proceeds from Long-term Borrowings	-	350
Dividends	(312)	(389)
Financing Activities and Other	(1)	(4)
<b>Net Cash Provided (Used for) By Financing Activities &amp; Other</b>	<b>227</b>	<b>(60)</b>
<b>Change in Cash</b>	<b>(688)</b>	<b>(596)</b>
<b>Cash at Beginning of Period</b>	<b>870</b>	<b>893</b>
<b>Cash at End of Period</b>	<b>\$ 181</b>	<b>\$ 297</b>

### Cash Flow from Ops

Increased primarily due to a higher net loss, excluding the impact of the valuation allowance on deferred tax assets, and higher working capital usage

### Investing Activities

Decreased primarily due to an increase in proceeds from foreign currency forward exchange contracts and payments related to Fuhu and Sproutling in 2016, partially offset by higher capital spending

### Financing Activities & Other

Increased primarily due to higher net short-term borrowings, partially offset by proceeds from long-term borrowings in 2016

### Dividend

Paid dividend of \$0.15 in Q3 2017 (down 60% year-over-year)



# APPENDIX



# Reporting Guide

## Name

## Description

North American Region

Includes U.S., Canada and American Girl

International Region

Includes International Division

North America Division

Consists of the U.S. and Canada, excludes American Girl

International Division

Excludes U.S. and Canada

American Girl Brands

Includes American Girl, excludes Corolle / Thomas DTC



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In millions, except per share and percentage information)	For the Three Months Ended September 30,						For the Nine Months Ended September 30,					
	2017		2016		Yr / Yr % Change as Reported	Yr / Yr % Change in Constant Currency	2017		2016		Yr / Yr % Change as Reported	Yr / Yr % Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
<b>Net Sales</b>	\$ 1,561.0		\$ 1,795.6		-13%	-14%	\$ 3,271.1		\$ 3,622.3		-10%	-10%
Cost of sales	913.8	58.5%	924.8	51.5%	-1%		1,945.4	59.5%	1,929.3	53.3%	1%	
<b>Gross Profit</b>	647.2	41.5%	870.8	48.5%	-26%	-26%	1,325.7	40.5%	1,693.0	46.7%	-22%	-21%
Advertising and promotion expenses	179.7	11.5%	202.9	11.3%	-11%		348.8	10.7%	384.6	10.6%	-9%	
Other selling and administrative expenses	381.8	24.5%	350.5	19.5%	9%		1,066.9	32.6%	1,051.8	29.0%	1%	
<b>Operating Income (Loss)</b>	85.7	5.5%	317.4	17.7%	-73%	-74%	(90.0)	-2.8%	256.6	7.1%	-135%	-132%
Interest expense	24.7	1.6%	25.0	1.4%	-1%		68.6	2.1%	70.1	1.9%	-2%	
Interest (income)	(1.5)	-0.1%	(2.5)	-0.1%	-36%		(6.3)	-0.2%	(7.6)	-0.2%	-16%	
Other non-operating expense, net	1.3		0.9				5.9		23.3			
<b>Income (Loss) Before Income Taxes</b>	61.2	3.9%	294.0	16.4%	-79%	-80%	(158.2)	-4.8%	170.8	4.7%	-193%	-186%
Provision for income taxes	664.5		57.7				614.4		26.6			
<b>Net (Loss) Income</b>	\$ (603.3)	-38.6%	\$ 236.3	13.2%	-355%		\$ (772.6)	-23.6%	\$ 144.2	4.0%	-636%	
<b>Net (Loss) Income Per Common Share - Basic</b>	\$ (1.75)		\$ 0.69				\$ (2.25)		\$ 0.42			
Weighted average number of common shares	343.9		342.0				343.3		341.1			
<b>Net (Loss) Income Per Common Share - Diluted</b>	\$ (1.75)		\$ 0.68				\$ (2.25)		\$ 0.42			
Weighted average number of common and potential common shares	343.9		344.2				343.3		343.3			





# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### WORLDWIDE GROSS SALES INFORMATION (Unaudited)

### RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

<u>(In millions, except percentage information)</u>	<u>For the Three Months Ended September 30,</u>				<u>For the Nine Months Ended September 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>% Change as Reported</u>	<u>% Change in Constant Currency</u>	<u>2017</u>	<u>2016</u>	<u>% Change as Reported</u>	<u>% Change in Constant Currency</u>
<b><u>Reconciliation of Non-GAAP to GAAP Financial Measure:</u></b>								
Net Sales	\$ 1,561.0	\$ 1,795.6	-13 %	-14 %	\$ 3,271.1	\$ 3,622.3	-10 %	-10 %
Sales Adjustments <sup>1</sup>	<u>149.2</u>	<u>179.8</u>			<u>322.2</u>	<u>367.9</u>		
Gross Sales	<u>\$ 1,710.2</u>	<u>\$ 1,975.4</u>	-13 %	-15 %	<u>\$ 3,593.3</u>	<u>\$ 3,990.2</u>	-10 %	-10 %
<b><u>Worldwide Gross Sales by Brand:</u></b>								
Mattel Girls & Boys Brands	\$ 967.0	\$ 1,061.1	-9 %	-10 %	\$ 2,018.0	\$ 2,142.7	-6 %	-6 %
Fisher-Price Brands	561.6	661.5	-15	-16	1,143.5	1,280.4	-11	-11
American Girl Brands	88.0	125.5	-30	-30	234.2	286.9	-18	-18
Construction and Arts & Crafts Brands	84.6	118.6	-29	-30	176.1	252.8	-30	-31
Other	<u>9.0</u>	<u>8.7</u>			<u>21.5</u>	<u>27.4</u>		
Gross Sales	<u>\$ 1,710.2</u>	<u>\$ 1,975.4</u>	-13 %	-15 %	<u>\$ 3,593.3</u>	<u>\$ 3,990.2</u>	-10 %	-10 %
<b><u>Worldwide Gross Sales - Mattel Girls &amp; Boys Brands:</u></b>								
Barbie	\$ 329.6	\$ 349.7	-6 %	-7 %	\$ 605.2	\$ 651.3	-7 %	-7 %
Other Girls	96.3	161.6	-40	-42	194.7	304.5	-36	-37
Wheels	270.3	281.9	-4	-6	563.3	579.0	-3	-3
Entertainment	<u>270.8</u>	<u>267.9</u>	1	-1	<u>654.8</u>	<u>607.9</u>	8	7
Gross Sales	<u>\$ 967.0</u>	<u>\$ 1,061.1</u>	-9 %	-10 %	<u>\$ 2,018.0</u>	<u>\$ 2,142.7</u>	-6 %	-6 %
<b><u>Worldwide Gross Sales by Region:</u></b>								
North American <sup>2</sup>	\$ 933.2	\$ 1,201.1	-22 %	-22 %	\$ 1,956.3	\$ 2,376.0	-18 %	-18 %
International	<u>777.0</u>	<u>774.3</u>	0	-2	<u>1,637.0</u>	<u>1,614.2</u>	1	1
Gross Sales	<u>\$ 1,710.2</u>	<u>\$ 1,975.4</u>	-13 %	-15 %	<u>\$ 3,593.3</u>	<u>\$ 3,990.2</u>	-10 %	-10 %

1 Sales adjustments are not allocated to individual products. As such, net sales are only presented on a consolidated basis and not on a brand level.

2 Consists of U.S., Canada and American Girl.



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### NORTH AMERICAN REGION GROSS SALES INFORMATION (Unaudited)

<u>(In millions, except percentage information)</u>	<u>For the Three Months Ended September 30,</u>				<u>For the Nine Months Ended September 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>% Change as Reported</u>	<u>% Change in Constant Currency</u>	<u>2017</u>	<u>2016</u>	<u>% Change as Reported</u>	<u>% Change in Constant Currency</u>
<b><u>North American Region Gross Sales</u></b>								
Net Sales	\$ 885.8	\$ 1,129.7	-22 %	-22 %	\$ 1,855.7	\$ 2,241.3	-17 %	-17 %
Sales Adjustments <sup>1</sup>	47.4	71.4			100.6	134.7		
Gross Sales	<u>\$ 933.2</u>	<u>\$ 1,201.1</u>	-22 %	-22 %	<u>\$ 1,956.3</u>	<u>\$ 2,376.0</u>	-18 %	-18 %
<b><u>North American Region Gross Sales by Brand:</u></b>								
Mattel Girls & Boys Brands	\$ 459.6	\$ 577.1	-20 %	-20 %	\$ 946.3	\$ 1,133.4	-17 %	-17 %
Fisher-Price Brands	321.9	408.0	-21	-21	644.1	761.5	-15	-15
American Girl Brands	88.0	124.5	-29	-29	234.2	285.9	-18	-18
Construction and Arts & Crafts Brands	54.7	82.9	-34	-34	110.2	170.1	-35	-36
Other	9.0	8.6			21.5	25.1		
Gross Sales	<u>\$ 933.2</u>	<u>\$ 1,201.1</u>	-22 %	-22 %	<u>\$ 1,956.3</u>	<u>\$ 2,376.0</u>	-18 %	-18 %

1 Sales adjustments are not allocated to individual products. As such, net sales are only presented on a consolidated basis and not on a brand level.



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### INTERNATIONAL GROSS SALES BY REGION INFORMATION (Unaudited)

<u>(In millions, except percentage information)</u>	<u>For the Three Months Ended September 30,</u>				<u>For the Nine Months Ended September 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>% Change as Reported</u>	<u>% Change in Constant Currency</u>	<u>2017</u>	<u>2016</u>	<u>% Change as Reported</u>	<u>% Change in Constant Currency</u>
<b>Reconciliation of Non-GAAP to GAAP Financial Measure</b>								
<b>Total International Region</b>								
Net Sales	\$ 675.2	\$ 665.9	1 %	-1 %	\$ 1,415.4	\$ 1,381.0	2 %	2 %
Sales Adjustments <sup>1</sup>	<u>101.8</u>	<u>108.4</u>			<u>221.6</u>	<u>233.2</u>		
Gross Sales	<u>\$ 777.0</u>	<u>\$ 774.3</u>	0 %	-2 %	<u>\$ 1,637.0</u>	<u>\$ 1,614.2</u>	1 %	1 %
<b>International Region Gross Sales</b>								
Europe								
Net Sales	\$ 355.0	\$ 354.6	0 %	-3 %	\$ 717.4	\$ 730.9	-2 %	-2 %
Sales Adjustments <sup>1</sup>	<u>59.4</u>	<u>64.2</u>			<u>125.7</u>	<u>136.1</u>		
Gross Sales	<u>\$ 414.4</u>	<u>\$ 418.8</u>	-1 %	-5 %	<u>\$ 843.1</u>	<u>\$ 867.0</u>	-3 %	-3 %
Latin America								
Net Sales	\$ 193.9	\$ 186.3	4 %	1 %	\$ 371.5	\$ 353.4	5 %	3 %
Sales Adjustments <sup>1</sup>	<u>22.8</u>	<u>25.5</u>			<u>49.3</u>	<u>49.9</u>		
Gross Sales	<u>\$ 216.7</u>	<u>\$ 211.8</u>	2 %	-1 %	<u>\$ 420.8</u>	<u>\$ 403.3</u>	4 %	2 %
Asia Pacific								
Net Sales	\$ 126.3	\$ 125.0	1 %	1 %	\$ 326.5	\$ 296.7	10 %	11 %
Sales Adjustments <sup>1</sup>	<u>19.6</u>	<u>18.7</u>			<u>46.6</u>	<u>47.2</u>		
Gross Sales	<u>\$ 145.9</u>	<u>\$ 143.7</u>	2 %	1 %	<u>\$ 373.1</u>	<u>\$ 343.9</u>	8 %	9 %
<b>International Region Gross Sales:</b>								
Europe	\$ 414.4	\$ 418.8	-1 %	-5 %	\$ 843.1	\$ 867.0	-3 %	-3 %
Latin America	216.7	211.8	2	-1	420.8	403.3	4	2
Asia Pacific	145.9	143.7	2	1	373.1	343.9	8	9
Gross Sales	<u>\$ 777.0</u>	<u>\$ 774.3</u>	0 %	-2 %	<u>\$ 1,637.0</u>	<u>\$ 1,614.2</u>	1 %	1 %
<b>International Region Gross Sales by Brand:</b>								
Mattel Girls & Boys Brands	\$ 507.4	\$ 484.0	5 %	2 %	\$ 1,071.7	\$ 1,009.3	6 %	5 %
Fisher-Price Brands	239.7	253.5	-5	-8	499.4	518.8	-4	-3
Construction and Arts & Crafts Brands	29.9	35.7	-16	-19	65.9	82.7	-20	-21
Other	-	1.1			-	3.4		
Gross Sales	<u>\$ 777.0</u>	<u>\$ 774.3</u>	0 %	-2 %	<u>\$ 1,637.0</u>	<u>\$ 1,614.2</u>	1 %	1 %

1 Sales adjustments are not allocated to individual products. As such, net sales are only presented on a consolidated basis and not on a brand level.



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)

#### RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(In millions, except per share information)	2014				2015				2016				2017		
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
<b>Net Sales</b>															
Net Sales, As Reported	\$ 946.2	\$ 1,062.3	\$ 2,021.4	\$ 1,994.0	\$ 922.7	\$ 988.2	\$ 1,792.0	\$ 1,999.7	\$ 869.4	\$ 957.3	\$ 1,795.6	\$ 1,834.4	\$ 735.6	\$ 974.5	\$ 1,561.0
<i>Adjustments:</i>															
Toys "R" Us Net Sales Reversal <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43.0
Net Sales, As Adjusted	\$ 946.2	\$ 1,062.3	\$ 2,021.4	\$ 1,994.0	\$ 922.7	\$ 988.2	\$ 1,792.0	\$ 1,999.7	\$ 869.4	\$ 957.3	\$ 1,795.6	\$ 1,834.4	\$ 735.6	\$ 974.5	\$ 1,604.0
<b>Gross Profit</b>															
Gross Profit, As Reported	\$ 481.5	\$ 492.6	\$ 1,021.1	\$ 1,005.8	\$ 450.4	\$ 472.9	\$ 879.6	\$ 1,003.5	\$ 388.7	\$ 433.6	\$ 870.8	\$ 861.4	\$ 278.8	\$ 399.7	\$ 647.2
<i>Gross Margin</i>	50.9%	46.4%	50.5%	50.4%	48.8%	47.9%	49.1%	50.2%	44.7%	45.3%	48.5%	47.0%	37.9%	41.0%	41.5%
<i>Adjustments:</i>															
Toys "R" Us Net Sales Reversal <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43.0
MEGA Brands Inventory Fair Value Markup Above Cost	-	8.3	6.7	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit, As Adjusted	\$ 481.5	\$ 500.9	\$ 1,027.8	\$ 1,005.8	\$ 450.4	\$ 472.9	\$ 879.6	\$ 1,003.5	\$ 388.7	\$ 433.6	\$ 870.8	\$ 861.4	\$ 278.8	\$ 399.7	\$ 690.2
<i>Adjusted Gross Margin</i>	50.9%	47.2%	50.8%	50.4%	48.8%	47.9%	49.1%	50.2%	44.7%	45.3%	48.5%	47.0%	37.9%	41.0%	43.0%
<b>Other Selling and Administrative Expenses</b>															
Other Selling and Administrative Expenses, As Reported	\$ 384.5	\$ 391.7	\$ 392.9	\$ 445.0	\$ 402.5	\$ 367.6	\$ 365.6	\$ 412.0	\$ 350.9	\$ 350.5	\$ 350.5	\$ 348.5	\$ 332.2	\$ 352.9	\$ 381.8
<i>% of Net Sales</i>	40.6%	36.9%	19.4%	22.3%	43.6%	37.2%	20.4%	20.6%	40.4%	36.6%	19.5%	19.0%	45.2%	36.2%	24.5%
<i>Adjustments:</i>															
Non-recurring Executive Compensation	-	-	-	-	-	-	-	-	-	-	-	-	(1.9)	(2.8)	(3.5)
Integration & Acquisition Costs <sup>2</sup>	-	(11.2)	(4.6)	(12.4)	(7.7)	(2.6)	(3.3)	(1.3)	(0.7)	(0.5)	(0.3)	(0.3)	-	-	-
Severance and Restructuring Expenses	(21.5)	(12.6)	(4.1)	(4.9)	(28.0)	(15.6)	(13.3)	(10.9)	(9.8)	(17.4)	(6.4)	(6.3)	(3.0)	(5.8)	(12.6)
Asset Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14.9)
Other Selling and Administrative Expenses, As Adjusted	\$ 363.0	\$ 367.9	\$ 384.2	\$ 427.7	\$ 366.8	\$ 349.4	\$ 349.0	\$ 399.8	\$ 340.4	\$ 332.6	\$ 343.8	\$ 341.9	\$ 327.3	\$ 344.3	\$ 350.8
<i>% of Net Sales</i>	38.4%	34.6%	19.0%	21.4%	39.8%	35.4%	19.5%	20.0%	39.2%	34.7%	19.1%	18.6%	44.5%	35.3%	21.9%
<b>Operating Income (Loss)</b>															
Operating Income (Loss), As Reported	\$ 6.2	\$ 1.0	\$ 409.5	\$ 237.0	\$ (54.5)	\$ 0.6	\$ 300.8	\$ 294.1	\$ (49.1)	\$ (11.7)	\$ 317.4	\$ 262.6	\$ (127.0)	\$ (48.7)	\$ 85.7
<i>Adjustments:</i>															
Toys "R" Us Net Sales Reversal <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43.0
Non-recurring Executive Compensation	-	-	-	-	-	-	-	-	-	-	-	-	1.9	2.8	3.5
MEGA Brands Inventory Fair Value Markup Above Cost	-	8.3	6.7	-	-	-	-	-	-	-	-	-	-	-	-
Integration & Acquisition Costs <sup>2</sup>	-	11.2	4.6	12.4	7.7	2.6	3.3	1.3	0.7	0.5	0.3	0.3	-	-	-
Severance and Restructuring Expenses	21.5	12.6	4.1	4.9	28.0	15.6	13.3	10.9	9.8	17.4	6.4	6.3	3.0	5.8	12.6
Asset Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14.9
Operating Income (Loss), As Adjusted	\$ 27.7	\$ 33.1	\$ 424.9	\$ 254.3	\$ (18.8)	\$ 18.8	\$ 317.4	\$ 306.3	\$ (38.6)	\$ 6.2	\$ 324.1	\$ 269.2	\$ (122.1)	\$ (40.1)	\$ 159.7
<b>Earnings (Loss) Per Share</b>															
Net (Loss) Income Per Common Share, As Reported	\$ (0.03)	\$ 0.08	\$ 0.97	\$ 0.44	\$ (0.17)	\$ (0.03)	\$ 0.66	\$ 0.63	\$ (0.21)	\$ (0.06)	\$ 0.68	\$ 0.50	\$ (0.33)	\$ (0.16)	\$ (1.75)
<i>Adjustments:</i>															
Toys "R" Us Net Sales Reversal <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.13
Non-recurring Executive Compensation	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01	0.01
MEGA Brands Inventory Fair Value Markup Above Cost	-	0.03	0.02	-	-	-	-	-	-	-	-	-	-	-	-
Integration & Acquisition Costs <sup>2</sup>	-	0.03	0.01	0.03	0.02	0.01	0.01	0.01	-	-	-	-	-	-	-
Severance and Restructuring Expenses	0.06	0.04	0.01	0.01	0.08	0.04	0.04	0.03	0.03	0.05	0.02	0.02	0.01	0.02	0.04
Sale of Assets	-	-	-	-	-	-	-	-	(0.01)	-	-	-	-	-	-
Venezuela Currency Devaluation Loss	-	-	-	-	-	-	-	-	0.07	-	-	-	-	-	-
Asset Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04
Tax Effect of Adjustments <sup>3</sup>	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	-	-	(0.01)	(0.01)	(0.01)
Valuation Allowance on Deferred Tax Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.63
Net Income (Loss) Per Common Share, As Adjusted	\$ 0.02	\$ 0.16	\$ 1.00	\$ 0.47	\$ (0.09)	\$ 0.01	\$ 0.70	\$ 0.65	\$ (0.14)	\$ (0.02)	\$ 0.70	\$ 0.52	\$ (0.32)	\$ (0.14)	\$ 0.09

- As a result of Toys "R" Us filing for bankruptcy, Mattel reversed Net Sales for the estimated uncollectible portion of its outstanding receivables. As such, Gross Profit, As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding Net Sales.
- Includes Integration & Acquisition Costs for Fuhu and Sproutling in 2016 and MEGA Brands in 2014 and 2015.
- The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate and dividing by the reported weighted average number of common and potential common shares. For the three and nine months ended September 30, 2017, U.S. adjustments were not tax effected because of the valuation allowance on U.S. deferred tax assets.



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited) RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except per share and percentage information)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net Sales</b>				
Net Sales, As Reported	\$ 1,561.0	\$ 1,795.6	\$ 3,271.1	\$ 3,622.3
<i>Adjustments:</i>				
Toys "R" Us Net Sales Reversal <sup>1</sup>	43.0	-	43.0	-
Net Sales, As Adjusted	\$ 1,604.0	\$ 1,795.6	\$ 3,314.1	\$ 3,622.3
<b>Gross Profit</b>				
Gross Profit, As Reported	\$ 647.2	\$ 870.8	\$ 1,325.7	\$ 1,693.0
Gross Margin	41.5%	48.5%	40.5%	46.7%
<i>Adjustments:</i>				
Toys "R" Us Net Sales Reversal <sup>1</sup>	43.0	-	43.0	-
Gross Profit, As Adjusted	\$ 690.2	\$ 870.8	\$ 1,368.7	\$ 1,693.0
Adjusted Gross Margin	43.0%	48.5%	41.3%	46.7%
<b>Other Selling and Administrative Expenses</b>				
Other Selling and Administrative Expenses, As Reported	\$ 381.8	\$ 350.5	\$ 1,066.9	\$ 1,051.8
% of Net Sales	24.5%	19.5%	32.6%	29.0%
<i>Adjustments:</i>				
Non-recurring Executive Compensation	(3.5)	-	(8.3)	-
Integration & Acquisition Costs <sup>2</sup>	-	(0.3)	-	(1.4)
Severance and Restructuring Expenses	(12.6)	(6.4)	(21.5)	(33.6)
Asset Impairments	(14.9)	-	(14.9)	-
Other Selling and Administrative Expenses, As Adjusted	\$ 350.8	\$ 343.8	\$ 1,022.2	\$ 1,016.8
% of Net Sales	21.9%	19.1%	30.8%	28.1%
<b>Operating Income (Loss)</b>				
Operating Income (Loss), As Reported	\$ 85.7	\$ 317.4	\$ (90.0)	\$ 256.6
<i>Adjustments:</i>				
Toys "R" Us Net Sales Reversal <sup>1</sup>	43.0	-	43.0	-
Non-recurring Executive Compensation	3.5	-	8.3	-
Integration & Acquisition Costs <sup>2</sup>	-	0.3	-	1.4
Severance and Restructuring Expenses	12.6	6.4	21.5	33.6
Asset Impairments	14.9	-	14.9	-
Operating Income (Loss), As Adjusted	\$ 159.7	\$ 324.1	\$ (2.3)	\$ 291.6
<b>Earnings Per Share</b>				
Net (Loss) Income Per Common Share, As Reported	\$ (1.75)	\$ 0.68	\$ (2.25)	\$ 0.42
<i>Adjustments:</i>				
Toys "R" Us Net Sales Reversal <sup>1</sup>	0.13	-	0.13	-
Non-recurring Executive Compensation	0.01	-	0.03	-
Severance and Restructuring Expenses	0.04	0.02	0.06	0.10
Sale of Assets	-	-	-	(0.01)
Venezuela Currency Devaluation Loss	-	-	-	0.08
Asset Impairments	0.04	-	0.04	-
Tax Effect of Adjustments <sup>3</sup>	(0.01)	-	(0.01)	(0.04)
Valuation Allowance on Deferred Tax Assets	1.63	-	1.63	-
Net Income (Loss) Per Common Share, As Adjusted	\$ 0.09	\$ 0.70	\$ (0.37)	\$ 0.55

1 As a result of Toys "R" Us filing for bankruptcy, Mattel reversed Net Sales for the estimated uncollectible portion of its outstanding receivables. As such, Gross Profit, As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding Net Sales.

2 Includes Integration & Acquisition Costs for Fuhu and Sproutling in 2016.

3 The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate and dividing by the reported weighted average number of common and potential common shares. For the three and nine months ended September 30, 2017, U.S. adjustments were not tax effected because of the valuation allowance on U.S. deferred tax assets.