

Mattel, Inc.

Earnings Conference Call

Fourth Quarter 2016

(Unaudited Results)



JANUARY 25, 2017

CHRISTOPHER SINCLAIR – CHIEF EXECUTIVE OFFICER

RICHARD DICKSON – CHIEF OPERATING OFFICER AND PRESIDENT

KEVIN FARR – CHIEF FINANCIAL OFFICER





FORWARD-LOOKING STATEMENTS: This presentation includes forward-looking statements relating to the future performance of our overall business, brands and product lines. These statements are based on currently available operating, financial, economic and other information and they are subject to a number of significant risks and uncertainties, which could cause our actual results to differ materially from those projected in the forward-looking statements. We describe some of these uncertainties in the Risk Factors section of our 2015 annual report on Form 10-K, in our 2016 quarterly reports on Form 10-Q and other filings we make with the SEC from time to time, as well as in 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.



Adjusted gross margin and adjusted gross profit

Adjusted gross margin represents Mattel's reported gross profit, adjusted to exclude the impact of inventory fair value markup above cost associated with the acquisition of a business, as a percentage of net sales. Adjusted gross margin is presented to provide additional perspective on underlying trends in Mattel's core gross margin.



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 and restructuring and restructuring-related expenses. Adjusted other selling and administrative expenses is presented to provide additional perspective on underlying trends in Mattel's core other selling and administrative expenses. A reconciliation of the forecasted range for adjusted other selling and administrative expense to the corresponding GAAP measure is not included in this presentation because of the uncertainty of the amounts of future charges and costs (including integration & acquisition costs and severance and restructuring expenses) that would be required to be included in the GAAP measure. Such amounts could be significant and are not available without unreasonable effort.



Adjusted operating income (loss)

Adjusted operating income (loss) represents Mattel's reported operating income (loss), adjusted to exclude the impact of inventory fair value markup above cost associated with the acquisition of a business, expenses associated with the acquisition and integration of an acquired business and the impact of restructuring and restructuring-related expenses. Adjusted operating income (loss) is presented to provide additional perspective on underlying trends in Mattel's core operating results.



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 inventory fair value markup above cost associated with the acquisition of a business, expenses associated with the acquisition and integration of an acquired business, the impact of restructuring and restructuring-related expenses, sale of non-core assets, and currency devaluations. 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 is presented to provide additional perspective on underlying trends in Mattel's core earnings. 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 established the exchange rates that it uses for these constant currency calculations years ago. It considers whether any changes to these rates are appropriate at the beginning of each year but, generally, has held them unchanged. 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.



Q4 2016 FINANCIAL PERFORMANCE



Q4 2016 Key Takeaways

Headlines

- **Met full year revenue objective to offset Disney Princess gap and Monster High headwinds.**
- **Q4 results impacted by a significant category slowdown, with elevated sales adjustments in response to evolving market conditions and higher forex negatively impacting gross margin.**
- **Well positioned for 2017 with strong core brand POS momentum and compelling entertainment slate.**
- **Maintained support of the dividend – company declared Q1 2017 dividend of \$0.38/share.**

Q4 revenue performance masked positive POS trends and continued gains in the business, excluding Disney Princess and Monster High

- Full year worldwide gross sales* were flat in constant currency* (down 3% as reported); worldwide net sales down 2% in constant currency* (down 4% as reported)
- Q4 worldwide gross sales* were down 1% in constant currency (down 5% as reported); worldwide net sales down 6% in constant currency* (down 8% as reported)
- Global POS up mid-single digits for the year and Q4, excluding Disney Princess
- Excluding Disney Princess, worldwide gross sales* in constant currency* up high-single digits for the year and up mid-single digits in Q4 (worldwide gross sales* up mid-single digits for the year and flat in Q4 as reported)
- Positive global shipping in constant currency* and POS trends for the year and quarter in key core brands
- Positive shipping, excluding Disney Princess, across all international regions in constant currency*; continued growth in key emerging markets due to strategic investments.
- Moderately higher but manageable retail inventories supported by positive POS trends

P&L reflects lower gross margin driven by elevated sales adjustments and continued foreign exchange headwinds, partially offset by cost savings

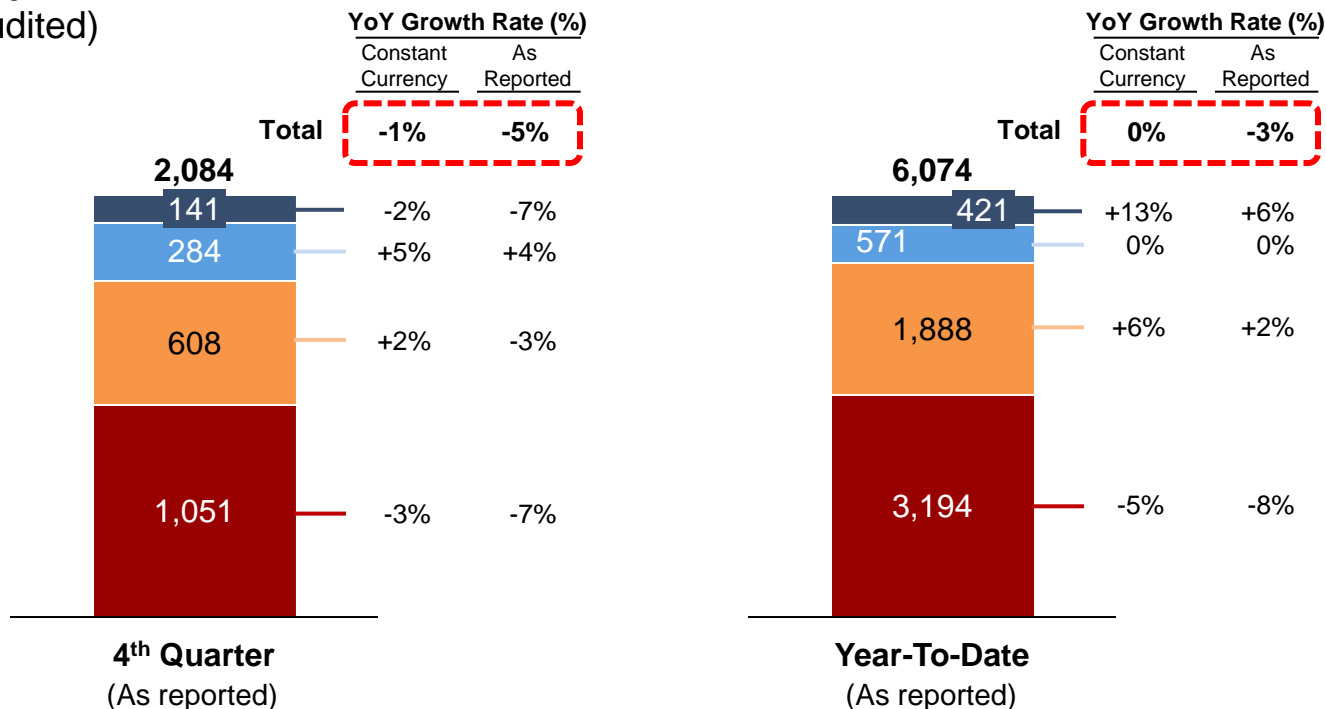
- Full year sales adjustments of 10.2% up 100 basis points with Q4 sales adjustments of 12.0% up 350 basis points
- Full year gross margin of 46.8% down 240 basis points with Q4 gross margin of 47.0% down 320 basis points, driven by sales adjustments, unfavorable forex and mix
- Adjusted SG&A expense* down \$106 million for the year and down \$58 million in Q4 driven by cost savings and lower employee-related expenses (down \$147 million and \$64 million as reported)
- Gross savings of \$142 million for the year and \$34 million in Q4; achieved two-year cost savings goal
- Full year adjusted EPS* of \$1.06, (\$0.92 as reported) and Q4 adjusted EPS* of \$0.52 (\$0.50 as reported)



Worldwide Gross Sales by Brand*

Fourth Quarter 2016 (\$ in Millions – Unaudited)

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



Q4 Constant Currency Narrative

Mattel Brands

- Declines in Disney Princess and Monster High, partially offset by growth in Hot Wheels, Barbie, and licensed entertainment (Batman v Superman and DC Super Hero Girls)

Fisher-Price

- Strength in Infant/Newborn and Preschool businesses, Nickelodeon licensed properties, and Thomas, partially offset by licensed entertainment in Fisher-Price Friends

American Girl

- Increase driven by solid results from our recently launched “Wellie Wishers” line and new distribution strategies, partially offset by declines in other doll lines

Const./A&C/Other

- Declines in Arts & Crafts business, partially offset by growth in the Construction business

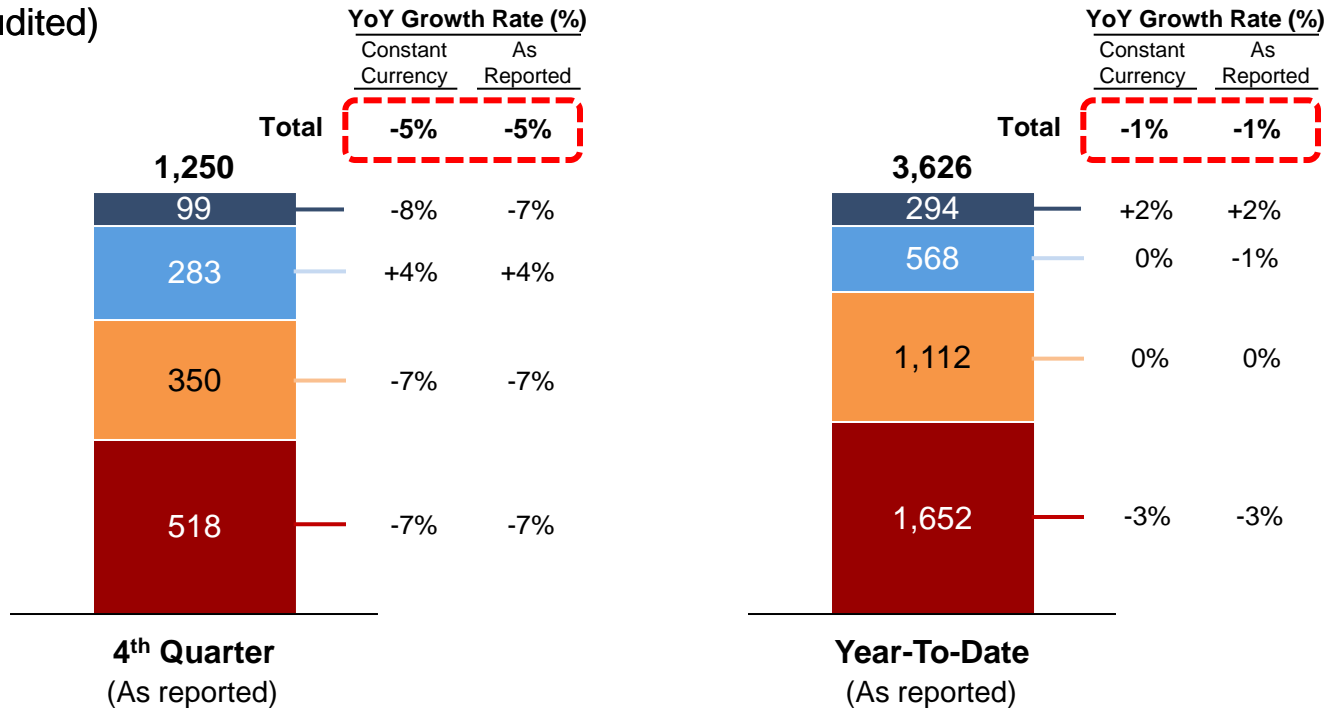
*See non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures



North American Region Gross Sales by Brand*

Fourth Quarter 2016 (\$ in Millions – Unaudited)

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



Q4 Constant Currency Narrative

Mattel Brands

- Declines in Disney Princess and Monster High, partially offset by strong growth in Hot Wheels and Toy Box

Fisher-Price

- Declines in Infant/Newborn and Preschool businesses as well as Thomas, partially offset by strength in Nickelodeon licensed properties

American Girl

- Increase primarily driven by solid results from our recently launched “Wellie Wishers” line and new distribution strategies, partially offset by declines in other doll lines

Const./A&C/Other

- Declines in Construction and Arts & Crafts businesses

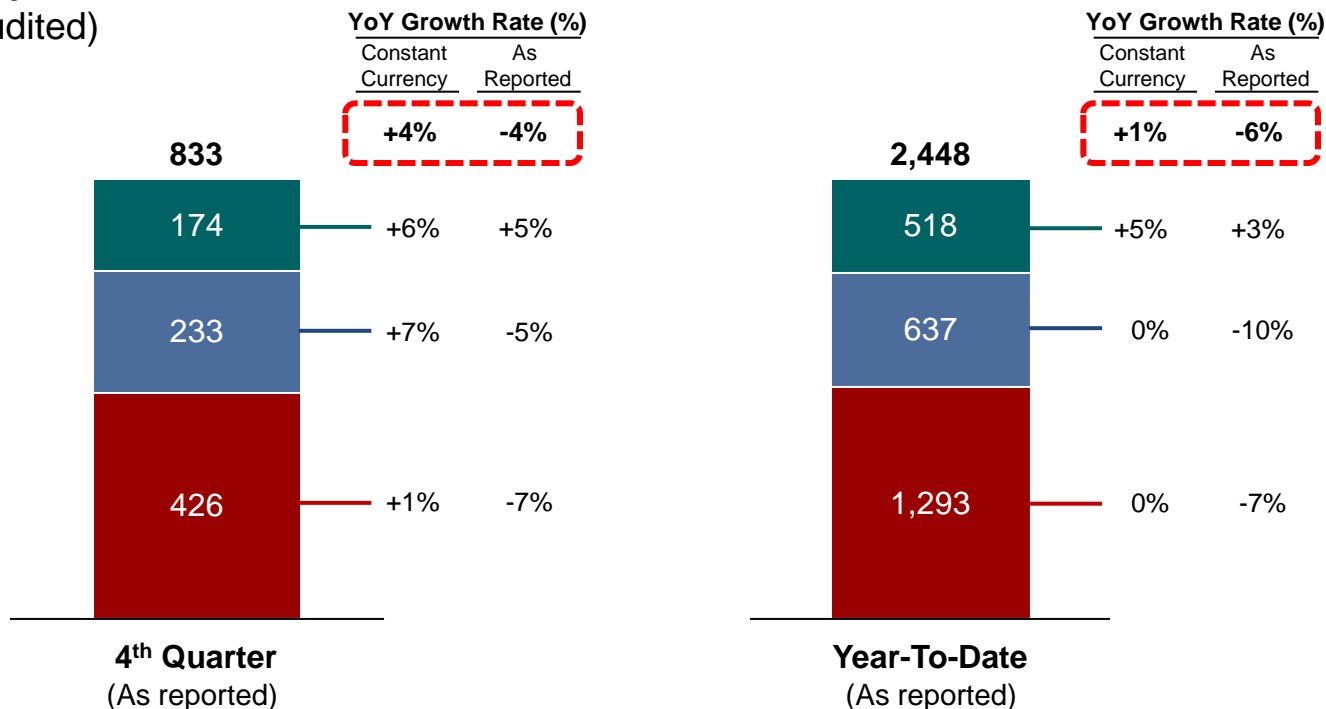
*See non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures
Note: North American Region includes U.S., Canada, and American Girl (see Appendix)



International Gross Sales by Region*

Fourth Quarter 2016 (\$ in Millions – Unaudited)

- Asia Pacific
- Latin America
- Europe



Q4 Constant Currency Narrative

Europe

- Continued growth in Russia, partially offset by declines in the mature Western European markets; double-digit growth in the region excluding Disney Princess

Latin America

- Growth in Brazil and Argentina as well as continued strength in Mexico; double-digit growth in the region excluding Disney Princess

Asia Pacific

- Continued strong growth in China, India and Japan, partially offset by declines in Australia and Korea; double-digit growth in the region excluding Disney Princess

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

Note: International Region includes International Division (see Appendix)



Gross Margin

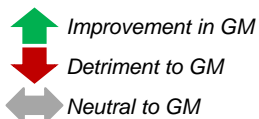
Fourth Quarter 2016

(As a Percentage of Net Sales – Unaudited)

	Quarter	Year-to-Date
Prior Year:	50.2%	49.2%
Change Primarily Driven By:		
Pricing		
Sales Adjustments		
Currency (incl. hedging)		
Input costs, net of cost savings		
Mix		
Other		
Current Year:	47.0%	46.8%
Change:	(320)bps	(240)bps

Q4 2016 Drivers

- **Decline driven by:**
 - Higher sales adjustments
 - Increased discounting
 - New promotional programs
 - Additional ship-in opportunities
 - Continued unfavorable currency
 - Higher input costs
 - Product mix shift due to growth in lower margin business
- **Partially offset by:**
 - Strategic pricing
 - Cost savings





Adjusted SG&A*

Fourth Quarter 2016

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

	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
Prior Year Adjusted:	\$399.8	20.0%	\$1,464.9	25.7%
Change Primarily Driven By:				
Employee-Related Costs				
Funding Our Future (ex. Severance)				
Fuhu & Sproutling				
Other				
Amortization				
Currency				
Current Year Adjusted:	\$341.9	18.6%	\$1,358.7	24.9%
Change:	(\$57.9)	(140)bps	(\$106.2)	(80)bps
Memo: SG&A (as reported)	\$348.5	19.0%	\$1,400.3	25.7%

- 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

**Consists of acquisition and integration costs; no longer excludes amortization of acquired intangible assets.

Q4 2016 Drivers

- Adjusted SG&A down \$57.9MM vs. prior year (down \$63.5MM as reported)
- Primarily driven by lower employee-related costs (including incentive) and savings from our Funding the Future cost savings program

2016 Adjustments (\$ in Millions)

	Q4	YTD
2016 as reported	\$349	\$1,400
○ Acquisition/integration**	(\$0)	(\$2)
○ Severance/restructuring	(\$6)	(\$40)
2016 adjusted	\$342	\$1,359

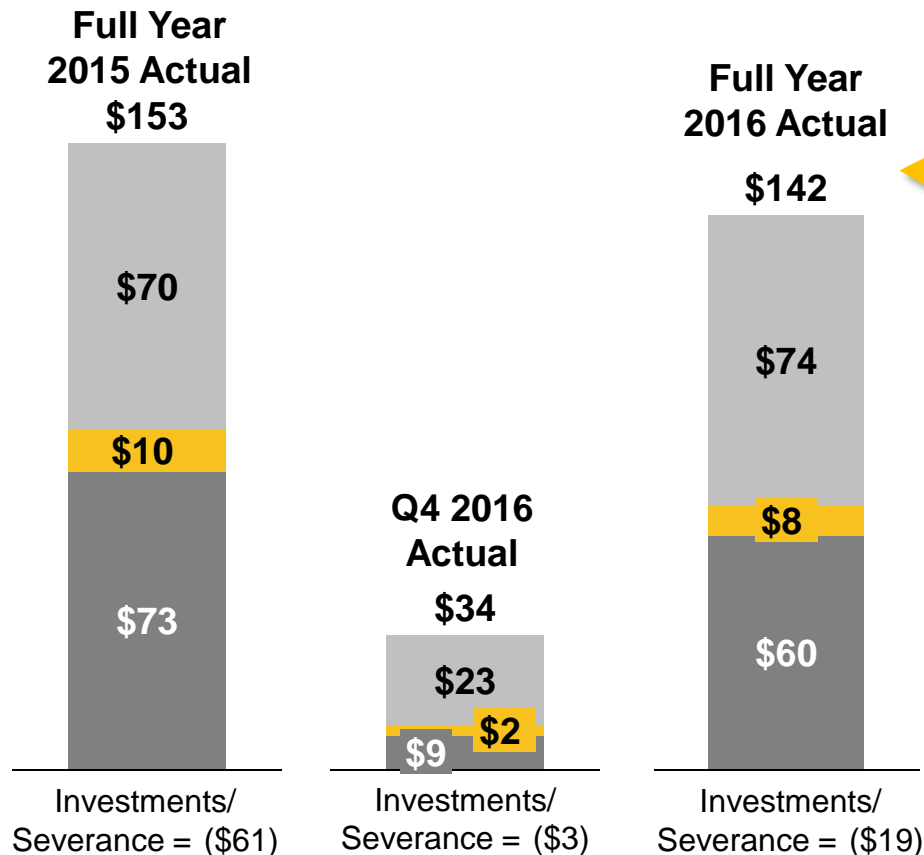


Cost Savings Programs / Funding Our Future (FOF) Update

(\$ in Millions – Unaudited)

Funding Our Future (Actual Gross Cost Savings)

■ Gross Margin ■ Advertising ■ SG&A and Other



**Achieved
Two Year
Goal of
\$250-\$300MM**

\$295MM gross savings over two years

- \$142MM in 2016
- \$153MM in 2015







2017 supply chain cost savings plan to be announced at Toy Fair in February



Adjusted Operating Income*

Fourth Quarter 2016

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




	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
Prior Year Adjusted:	\$306.3	15.3%	\$623.6	10.9%
Change Primarily Driven By:				
Gross Margin				
Advertising & Promotion				
Adjusted SG&A				
Current Year Adjusted:	\$269.2	14.7%	\$560.8	10.3%
Change:	(\$37.1)	(60bps)	(\$62.8)	(60bps)
Memo: Operating Income (as reported)	\$262.6	14.3%	\$519.2	9.5%

Q4 2016 Drivers

- Lower sales and gross margin (primarily due to higher sales adjustments, negative impact of FX and mix)
- Lower advertising expense in absolute dollars and as a percentage of sales
- Adjusted SG&A down in absolute dollars and as a percentage of sales (driven by lower employee-related costs and cost savings initiatives)

2016 Adjustments (\$ in Millions)

	Q4	YTD
2016 as reported	\$263	\$519
○ Acquisition/integration**	\$0	\$2
○ Severance/restructuring	\$6	\$40
2016 adjusted	\$269	\$561

-  Improvement in Op Inc %
-  Detriment to Op Inc %
-  Neutral to Op Inc %

*See non-GAAP reconciliation in Appendix and Glossary of Non-GAAP Financial Measures
 **Consists of acquisition and integration costs; no longer excludes amortization of acquired intangible assets



Adjusted EPS*

Fourth Quarter 2016
(\$ Per Share – Unaudited)

	Quarter	Year-to-date
Prior Year Adjusted:	\$0.65	\$1.27
Change Primarily Driven By:		
Operating Income		
Non-Operating Income/Expense		
Taxes		
Share Count		
Current Year Adjusted:	\$0.52	\$1.06
Change:	(\$0.13)	(\$0.21)
Memo: EPS (as reported)	\$0.50	\$0.92



2016 Adjustments (\$ Per Share)		
	Q4	YTD
2016 as reported	\$0.50	\$0.92
○ Severance/restructuring	\$0.02	\$0.12
○ Venezuela devaluation	-	\$0.08
○ Sale of assets	-	(\$0.01)
○ Tax effect of adjusts.	-	(\$0.05)
2016 adjusted	\$0.52	\$1.06

- Improvement in EPS
- Detriment to EPS
- Neutral to EPS

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



Cash Flow

Twelve Months ending 2016

(\$ in Millions – Unaudited)

	2015	2016
Net Income	\$369	\$318
Depreciation	\$233	\$234
Amortization	\$32	\$27
Change in Working Capital & Other	\$101	\$11
Net Cash From Operations	\$735	\$590
Acquisitions	-	(\$33)
Capital Spending	(\$254)	(\$259)
Other Investing	(\$29)	(\$15)
Net Cash (Used for) Investing	(\$283)	(\$307)
Net Proceeds (Payments) of Short-term Borrowings	\$17	\$175
Net Proceeds from Long-term Borrowings	-	\$50
Dividends	(\$515)	(\$519)
Financing Activities and Other	(\$33)	(\$12)
Net Cash (Used for) Financing Activities & Other	(\$531)	(\$306)
Change in Cash	(\$79)	(\$23)
Cash at Beginning of Period	\$972	\$893
Cash at End of Period	\$893	\$870

Cash Flow from Ops

Primarily due to higher working capital usage and lower net income

Investing Activities

Includes acquisitions of Fuhu and Sproutling and other investments

Financing Activities

Due to higher short-term borrowings and issuance of long-term debt

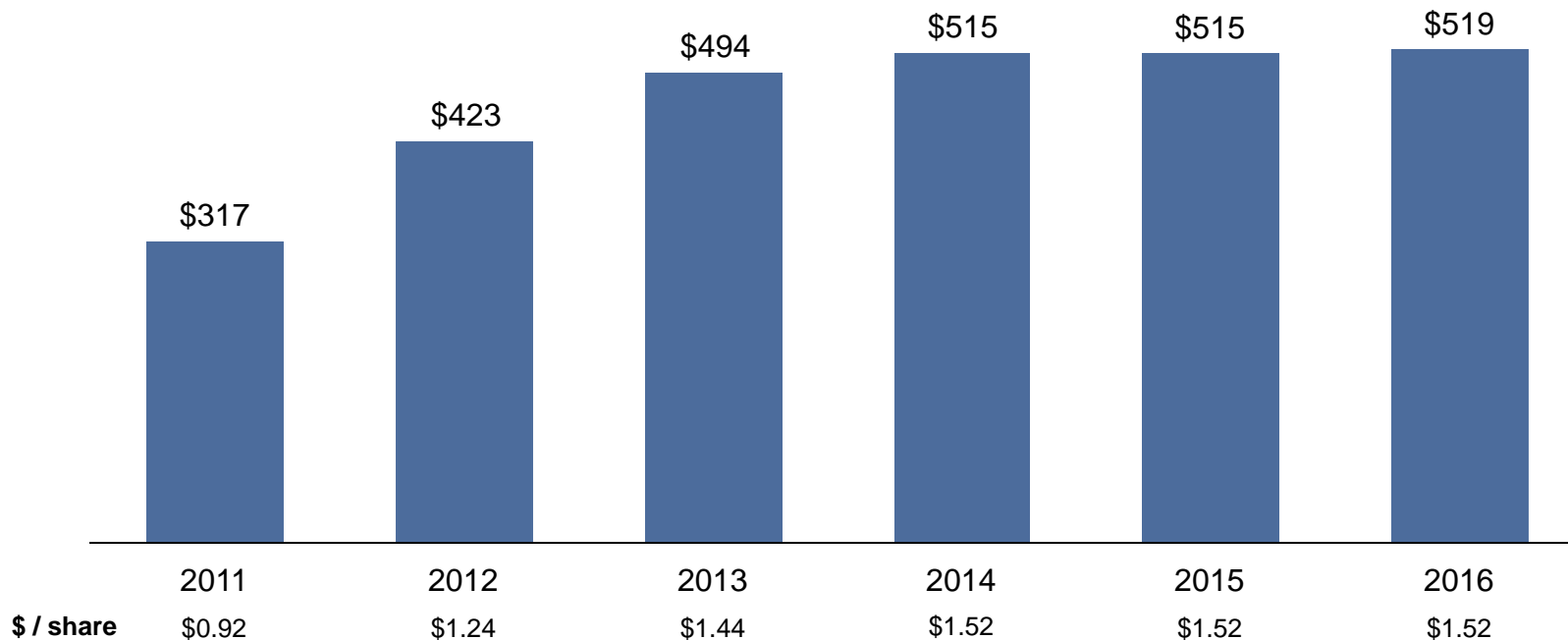
Dividend/ Share Repurchase

Paid quarterly dividend of \$0.38 (flat y/y)



Dividends

(\$ in Millions - Unaudited)



- Dividends remain a key component of our Capital and Investment Framework and key driver of Mattel's Total Shareholder Return (TSR)
- Declared first quarter 2017 dividend of \$0.38 per share, which is flat with the prior year
- For U.S. Federal Income tax purposes, 100% of the 2016 dividend is a non-dividend distribution*

* Further tax information available in the Investors section at Mattel.com under "Important Tax Information"



APPENDIX

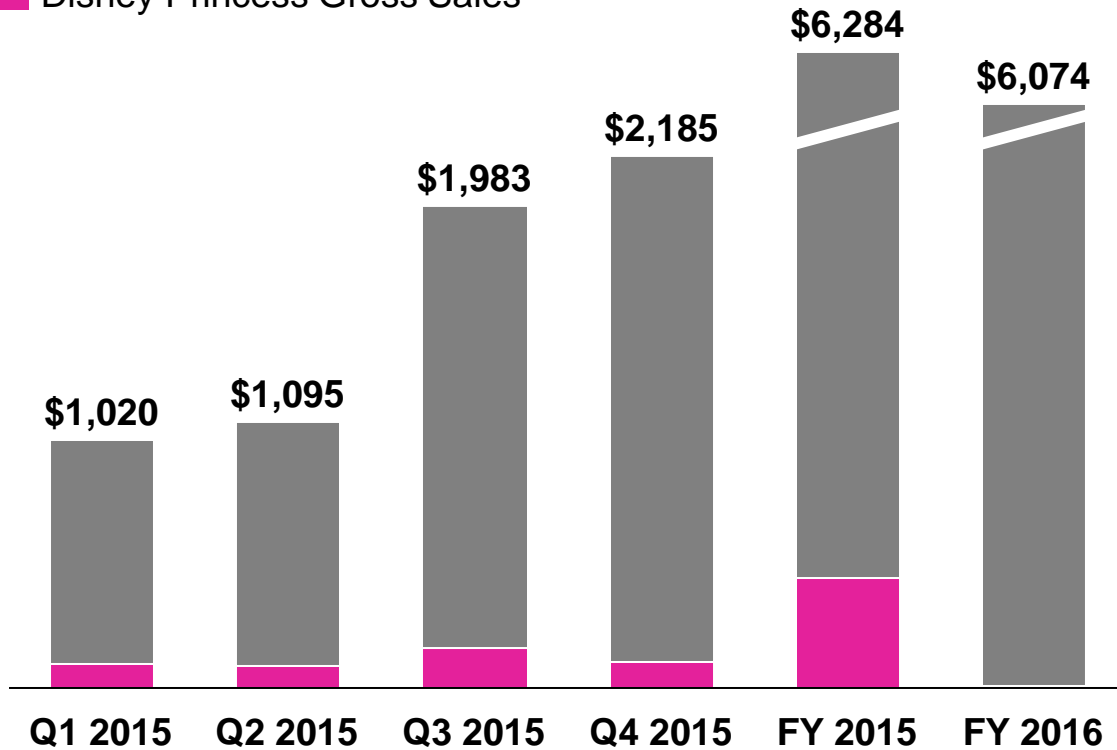


Disney Princess Impact

Total Gross Sales – 2016

\$ in Millions – Unaudited
(As reported)

■ Disney Princess Gross Sales



Achieved full year objective of relatively flat sales year over year in constant currency*

2016 Revenue Drivers

- ✓ Core Brand momentum
- ✓ Entertainment licenses
- ✓ MEGA expansion
- ✓ Emerging markets
- ✓ New content initiatives

% of Total Company Sales



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



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)

<u>(In millions, except per share and percentage information)</u>	For the Three Months Ended December 31,						For the Year Ended December 31,					
	2016		2015		Yr / Yr % Change as Reported	Yr / Yr % Change in Constant Currency	2016		2015		Yr / Yr % Change as Reported	Yr / Yr % Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
Net Sales	\$ 1,834.4		\$ 1,999.7		-8%	-6%	\$ 5,456.7		\$ 5,702.6		-4%	-2%
Cost of sales	973.0	53.0%	996.2	49.8%	-2%		2,902.3	53.2%	2,896.2	50.8%	0%	
Gross Profit	861.4	47.0%	1,003.5	50.2%	-14%	-9%	2,554.4	46.8%	2,806.4	49.2%	-9%	-3%
Advertising and promotion expenses	250.3	13.6%	297.4	14.9%	-16%		634.9	11.6%	717.9	12.6%	-12%	
Other selling and administrative expenses	348.5	19.0%	412.0	20.6%	-15%		1,400.3	25.7%	1,547.6	27.1%	-10%	
Operating Income	262.6	14.3%	294.1	14.7%	-11%	7%	519.2	9.5%	540.9	9.5%	-4%	23%
Interest expense	25.0	1.4%	22.8	1.1%	10%		95.1	1.7%	85.3	1.5%	12%	
Interest (income)	(1.6)	-0.1%	(1.5)	-0.1%	8%		(9.1)	-0.2%	(7.2)	-0.1%	26%	
Other non-operating expense (income), net	0.3		2.0				23.5		(1.1)			
Income Before Income Taxes	238.9	13.0%	270.8	13.5%	-12%	6%	409.7	7.5%	463.9	8.1%	-12%	19%
Provision for income taxes	65.1		55.6				91.7		94.5			
Net Income	\$ 173.8	9.5%	\$ 215.2	10.8%	-19%		\$ 318.0	5.8%	\$ 369.4	6.5%	-14%	
Net Income Per Common Share - Basic	\$ 0.51		\$ 0.63				\$ 0.93		\$ 1.08			
Weighted average number of common shares	342.7		339.8				341.5		339.2			
Net Income Per Common Share - Diluted	\$ 0.50		\$ 0.63				\$ 0.92		\$ 1.08			
Weighted average number of common and potential common shares	345.0		340.4				344.2		339.7			



Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

WORLDWIDE GROSS SALES INFORMATION (Unaudited)

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage information)	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2016	2015	% Change as Reported	% Change in Constant Currency	2016	2015	% Change as Reported	% Change in Constant Currency
Worldwide Gross Sales by Brand Category:								
Mattel Girls & Boys Brands	\$ 1,051.4	\$ 1,136.6	-7 %	-3 %	\$ 3,194.1	\$ 3,464.2	-8 %	-5 %
Fisher-Price Brands	607.7	626.2	-3	2	1,888.1	1,852.2	2	6
American Girl Brands	283.9	271.8	4	5	570.8	572.0	0	0
Construction and Arts & Crafts Brands	124.8	130.2	-4	1	377.6	351.7	7	15
Other	15.7	20.1			43.1	43.5		
Gross Sales	<u>\$ 2,083.5</u>	<u>\$ 2,184.9</u>	-5 %	-1 %	<u>\$ 6,073.7</u>	<u>\$ 6,283.6</u>	-3 %	0 %
Worldwide Gross Sales - Mattel Girls & Boys Brands:								
Barbie	\$ 320.5	\$ 327.6	-2 %	1 %	\$ 971.8	\$ 905.9	7 %	9 %
Other Girls	157.2	268.6	-41	-35	461.7	954.4	-52	-47
Wheels	306.1	271.8	13	18	885.1	831.3	6	11
Entertainment	267.6	268.6	0	2	875.5	772.6	13	16
Gross Sales	<u>\$ 1,051.4</u>	<u>\$ 1,136.6</u>	-7 %	-3 %	<u>\$ 3,194.1</u>	<u>\$ 3,464.2</u>	-8 %	-5 %
Worldwide Gross Sales by Region:								
North American ¹	\$ 1,250.0	\$ 1,313.5	-5 %	-5 %	\$ 3,626.1	\$ 3,680.1	-1 %	-1 %
International	833.5	871.4	-4	4	2,447.6	2,603.5	-6	1
Gross Sales	<u>\$ 2,083.5</u>	<u>\$ 2,184.9</u>	-5 %	-1 %	<u>\$ 6,073.7</u>	<u>\$ 6,283.6</u>	-3 %	0 %
Reconciliation of Non-GAAP to GAAP Financial Measure:								
Gross Sales	\$ 2,083.5	\$ 2,184.9			\$ 6,073.7	\$ 6,283.6		
Sales Adjustments ²	(249.1)	(185.2)			(617.0)	(581.0)		
Net Sales	<u>\$ 1,834.4</u>	<u>\$ 1,999.7</u>	-8 %	-6 %	<u>\$ 5,456.7</u>	<u>\$ 5,702.6</u>	-4 %	-2 %

(1) Consists of U.S., Canada, and American Girl.

(2) 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

NORTH AMERICAN REGION GROSS SALES INFORMATION (Unaudited)

(In millions, except percentage information)	For the Three Months Ended December 31,				For the Year Ended December 31,				
	2016	2015	% Change as Reported	% Change in Constant Currency	2016	2015	% Change as Reported	% Change in Constant Currency	
North American¹ Region Gross Sales by Brand Category:									
Mattel Girls & Boys Brands	\$ 518.1	\$ 557.3	-7 %	-7 %	\$ 1,651.5	\$ 1,705.1	-3 %	-3 %	
Fisher-Price Brands	350.4	377.7	-7	-7	1,111.9	1,114.9	0	0	
American Girl Brands	282.4	271.8	4	4	568.3	572.0	-1	0	
Construction and Arts & Crafts Brands	83.4	86.7	-4	-5	253.6	245.4	3	3	
Other	15.7	20.0			40.8	42.7			
Gross Sales	\$ 1,250.0	\$ 1,313.5	-5 %	-5 %	\$ 3,626.1	\$ 3,680.1	-1 %	-1 %	
North American Region Gross Sales									
Gross Sales	\$ 1,250.0	\$ 1,313.5			\$ 3,626.1	\$ 3,680.1			
Sales Adjustments	(89.4)	(59.1)			(224.2)	(219.0)			
Net Sales	\$ 1,160.6	\$ 1,254.4	-7 %	-7 %	\$ 3,401.9	\$ 3,461.1	-2 %	-1 %	

(1) Consists of U.S., Canada, and American Girl.



Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

INTERNATIONAL GROSS SALES BY REGION INFORMATION (Unaudited)

(In millions, except percentage information)	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2016	2015	% Change as Reported	% Change in Constant Currency	2016	2015	% Change as Reported	% Change in Constant Currency
International Region Gross Sales:								
Europe	\$ 426.4	\$ 460.4	-7 %	1 %	\$ 1,293.3	\$ 1,388.8	-7 %	0 %
Latin America	233.2	244.6	-5	7	636.5	711.0	-10	0
Asia Pacific	173.9	166.4	5	6	517.8	503.7	3	5
Gross Sales	<u>\$ 833.5</u>	<u>\$ 871.4</u>	-4 %	4 %	<u>\$ 2,447.6</u>	<u>\$ 2,603.5</u>	-6 %	1 %
Reconciliation of Non-GAAP to GAAP Financial Measure								
Europe								
Gross Sales	\$ 426.4	\$ 460.4			\$ 1,293.3	\$ 1,388.8		
Sales Adjustments	<u>(94.4)</u>	<u>(76.9)</u>			<u>(230.4)</u>	<u>(215.6)</u>		
Net Sales	<u>\$ 332.0</u>	<u>\$ 383.5</u>	-13 %	-6 %	<u>\$ 1,062.9</u>	<u>\$ 1,173.2</u>	-9 %	-3 %
Latin America								
Gross Sales	\$ 233.2	\$ 244.6			\$ 636.5	\$ 711.0		
Sales Adjustments	<u>(35.0)</u>	<u>(22.7)</u>			<u>(84.9)</u>	<u>(81.4)</u>		
Net Sales	<u>\$ 198.2</u>	<u>\$ 221.9</u>	-11 %	-1 %	<u>\$ 551.6</u>	<u>\$ 629.6</u>	-12 %	-3 %
Asia Pacific								
Gross Sales	\$ 173.9	\$ 166.4			\$ 517.8	\$ 503.7		
Sales Adjustments	<u>(30.3)</u>	<u>(26.5)</u>			<u>(77.5)</u>	<u>(65.0)</u>		
Net Sales	<u>\$ 143.6</u>	<u>\$ 139.9</u>	3 %	5 %	<u>\$ 440.3</u>	<u>\$ 438.7</u>	0 %	3 %
International Region								
Gross Sales	\$ 833.5	\$ 871.4			\$ 2,447.6	\$ 2,603.5		
Sales Adjustments	<u>(159.7)</u>	<u>(126.1)</u>			<u>(392.8)</u>	<u>(362.0)</u>		
Net Sales	<u>\$ 673.8</u>	<u>\$ 745.3</u>	-10 %	-2 %	<u>\$ 2,054.8</u>	<u>\$ 2,241.5</u>	-8 %	-2 %



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			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Gross Profit												
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
Gross Margin	50.9%	46.4%	50.5%	50.4%	48.8%	47.9%	49.1%	50.2%	44.7%	45.3%	48.5%	47.0%
Adjustments:												
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
Adjusted Gross Margin	50.9%	47.2%	50.8%	50.4%	48.8%	47.9%	49.1%	50.2%	44.7%	45.3%	48.5%	47.0%
Other Selling and Administrative Expenses												
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
% of Net Sales	40.6%	36.9%	19.4%	22.3%	43.6%	37.2%	20.4%	20.6%	40.4%	36.6%	19.5%	19.0%
Adjustments:												
Integration & Acquisition Costs ¹	-	(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)
Other Selling and Administrative Expenses, As Adjusted	\$ 363.0	\$ 367.9	\$ 384.2	\$ 427.7	\$ 366.8	\$ 349.4	\$ 349.0	\$ 389.8	\$ 340.4	\$ 332.6	\$ 343.8	\$ 341.9
% of Net Sales	38.4%	34.6%	19.0%	21.4%	39.8%	35.4%	19.5%	20.0%	39.2%	34.7%	19.1%	18.6%
Operating Income (Loss)												
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
Adjustments:												
MEGA Brands Inventory Fair Value Markup Above Cost	-	8.3	6.7	-	-	-	-	-	-	-	-	-
Integration & Acquisition Costs ¹	-	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
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
Earnings (Loss) Per Share												
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
Adjustments:												
MEGA Brands Inventory Fair Value Above Cost	-	0.03	0.02	-	-	-	-	-	-	-	-	-
Integration & Acquisition Costs ¹	-	0.03	0.01	0.03	0.02	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
Sale of Assets	-	-	-	-	-	-	-	-	(0.01)	-	-	-
Venezuela Currency Devaluation Loss	-	-	-	-	-	-	-	-	0.07	-	-	-
Tax Effect of Adjustments ²	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	-	-
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

(1) Includes Integration & Acquisition Costs for Fuhu and Sproutling in 2016 and MEGA Brands in 2014 and 2015.

(2) 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.



Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

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

<u>(In millions, except per share and percentage information)</u>	<u>For the Three Months Ended December 31,</u>		<u>For the Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Other Selling and Administrative Expenses</u>				
Other Selling and Administrative Expenses, As Reported	\$ 348.5	\$ 412.0	\$ 1,400.3	\$ 1,547.6
<i>% of Net Sales</i>	<i>19.0%</i>	<i>20.6%</i>	<i>25.7%</i>	<i>27.1%</i>
<i>Adjustments:</i>				
Integration & Acquisition Costs ¹	(0.3)	(1.3)	(1.7)	(14.9)
Severance and Restructuring Expenses	(6.3)	(10.9)	(39.9)	(67.8)
Other Selling and Administrative Expenses, As Adjusted	\$ 341.9	\$ 399.8	\$ 1,358.7	\$ 1,464.9
<i>% of Net Sales</i>	<i>18.6%</i>	<i>20.0%</i>	<i>24.9%</i>	<i>25.7%</i>
<u>Operating Income</u>				
Operating Income, As Reported	\$ 262.6	\$ 294.1	\$ 519.2	\$ 540.9
<i>Adjustments:</i>				
Integration & Acquisition Costs ¹	0.3	1.3	1.7	14.9
Severance and Restructuring Expenses	6.3	10.9	39.9	67.8
Operating Income, As Adjusted	\$ 269.2	\$ 306.3	\$ 560.8	\$ 623.6
<u>Earnings Per Share</u>				
Net Income Per Common Share, As Reported	\$ 0.50	\$ 0.63	\$ 0.92	\$ 1.08
<i>Adjustments:</i>				
Integration & Acquisition Costs ¹	-	-	-	0.04
Severance and Restructuring Expenses	0.02	0.03	0.12	0.20
Sale of Assets	-	-	(0.01)	-
Venezuela Currency Devaluation Loss	-	-	0.08	-
Tax Effect of Adjustments ²	-	(0.01)	(0.05)	(0.05)
Net Income Per Common Share, As Adjusted	\$ 0.52	\$ 0.65	\$ 1.06	\$ 1.27

(1) Includes Integration & Acquisition Costs for Fuhu and Sproutling in 2016 and MEGA Brands in 2015.

(2) 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.