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 **September 30, 2021**

or

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

For the transition period from **to**

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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $1.00 per share	**MAT**	**The Nasdaq Global Select Market**

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 every Interactive Data File required to be submitted 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 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	☐	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 October 19, 2021: 350,341,243 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," "believes," and "targeted," among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic, and other information and assumptions, and are subject to a number of significant risks and uncertainties. A variety of factors, many of which are beyond Mattel's control, could cause actual future results to differ materially from those projected in the forward-looking statements, and are currently, and in the future may be, amplified by the COVID-19 pandemic. Specific factors that might cause such a difference include, but are not limited to: (i) potential impacts of and uncertainty regarding the COVID-19 pandemic (and actions taken in response to it by governments, businesses, and individuals) on Mattel's business operations, financial results and financial position and on the global economy, including its impact on Mattel's sales; (ii) Mattel's ability to design, develop, produce, manufacture, source, ship, and distribute products on a timely and cost-effective basis; (iii) sufficient interest in and demand for the products and entertainment we offer by retail customers and consumers to profitably recover Mattel's costs; (iv) downturns in economic conditions affecting Mattel's markets which can negatively impact retail customers and consumers, and which can result in lower employment levels and lower consumer disposable income and spending, including lower spending on purchases of Mattel's products; (v) 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; (vi) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (vii) 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; (viii) currency fluctuations, including movements in foreign exchange rates and inflation, which can lower Mattel's net revenues and earnings, and significantly impact Mattel's costs; (ix) the concentration of Mattel's customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel's customers, such as bankruptcies or liquidations or a general lack of success, or changes in their purchasing or selling patterns; (x) the inventory policies of Mattel's retail customers, 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, overproduction, and shipping delays; (xi) legal, reputational, and financial risks related to security breaches or cyberattacks; (xii) work disruptions, including as a result of supply chain disruption such as plant and port closures, which may impact Mattel's ability to manufacture or deliver product in a timely and cost-effective manner; (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 from licensors of entertainment properties, 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, such as China, 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 or third party actions or approvals, including that result in any significant failure, inadequacy, or interruption from vendors or outsourcers, which could reduce demand for Mattel's products, 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, arbitration, or regulatory decisions or settlement actions; (xx) uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; and (xxi) other risks and uncertainties detailed in Part I, Item 1A "Risk Factors" in Mattel's 2020 Annual Report on Form 10-K (the "2020 Annual Report on Form 10-K") and subsequent periodic filings. 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

	September 30, 2021	September 30, 2020	December 31, 2020
	(Unaudited; in thousands, except share data)		
ASSETS			
Current Assets			
Cash and equivalents	$ 148,508	$ 452,167	$ 762,181
Accounts receivable, net of allowances for credit losses of $11.3 million, $18.5 million and $15.9 million, respectively	1,437,904	1,326,128	1,033,966
Inventories	854,477	679,482	528,474
Prepaid expenses and other current assets	274,262	157,929	172,070
Total current assets	2,715,151	2,615,706	2,496,691
Noncurrent Assets			
Property, plant, and equipment, net	455,889	462,521	473,794
Right-of-use assets, net	325,871	291,097	291,601
Goodwill	1,389,715	1,387,260	1,393,834
Other noncurrent assets	1,376,409	856,907	878,970
Total Assets	$ 6,263,035	$ 5,613,491	$ 5,534,890
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Short-term borrowings	$ 128,000	$ 400,000	$ 969
Accounts payable	538,170	497,379	495,363
Accrued liabilities	919,047	730,790	831,922
Income taxes payable	101,619	21,252	27,125
Total current liabilities	1,686,836	1,649,421	1,355,379
Noncurrent Liabilities			
Long-term debt	2,569,835	2,852,751	2,854,664
Noncurrent lease liabilities	288,232	251,957	249,353
Other noncurrent liabilities	404,454	439,559	465,350
Total noncurrent liabilities	3,262,521	3,544,267	3,569,367
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	1,821,106	1,823,742	1,842,680
Treasury stock at cost: 91.0 million shares, 93.3 million shares and 93.2 million shares, respectively	(2,228,910)	(2,283,992)	(2,282,939)
Retained earnings	2,230,764	1,424,558	1,553,610
Accumulated other comprehensive loss	(950,651)	(985,874)	(944,576)
Total stockholders’ equity	1,313,678	419,803	610,144
Total Liabilities and Stockholders’ Equity	$ 6,263,035	$ 5,613,491	$ 5,534,890

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

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Unaudited; in thousands, except per share amounts)			
Net Sales	$ 1,762,293	$ 1,636,464	$ 3,662,851	$ 2,962,670
Cost of sales	919,754	808,736	1,920,470	1,555,809
Gross Profit	842,539	827,728	1,742,381	1,406,861
Advertising and promotion expenses	117,650	102,527	280,074	238,981
Other selling and administrative expenses	335,815	345,700	990,221	981,229
Operating Income	389,074	379,501	472,086	186,651
Interest expense	52,062	50,415	220,689	149,010
Interest (income)	(753)	(455)	(2,156)	(3,564)
Other non-operating expense, net	3,901	1,327	3,347	7,012
Income Before Income Taxes	333,864	328,214	250,206	34,193
(Benefit) Provision for income taxes	(456,754)	22,080	(415,805)	46,811
Income from equity method investments	4,458	5,204	11,143	7,145
Net Income (Loss)	$ 795,076	$ 311,338	$ 677,154	$ (5,473)
Net Income (Loss) Per Common Share - Basic	$ 2.27	$ 0.90	$ 1.94	$ (0.02)
Weighted-average number of common shares	350,424	347,628	349,642	347,206
Net Income (Loss) Per Common Share - Diluted	$ 2.24	$ 0.89	$ 1.91	$ (0.02)
Weighted-average number of common and potential common shares	354,178	348,714	354,313	347,206

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

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Unaudited; in thousands)			
Net Income (Loss)	$ 795,076	$ 311,338	$ 677,154	$ (5,473)
Other Comprehensive Loss, Net of Tax				
Currency translation adjustments	(29,316)	13,032	(36,517)	(105,759)
Employee benefit plan adjustments	3,624	1,291	8,193	4,869
Net unrealized (losses) gains on available-for-sale security	(1,320)	178	1,912	293
Net unrealized gains (losses) on derivative instruments:				
Unrealized holding gains (losses)	13,900	(20,578)	23,230	(4,556)
Reclassification adjustments included in net income (loss)	(2,223)	(2,200)	(2,893)	(11,237)
	11,677	(22,778)	20,337	(15,793)
Other Comprehensive Loss, Net of Tax	(15,335)	(8,277)	(6,075)	(116,390)
Comprehensive Income (Loss)	$ 779,741	$ 303,061	$ 671,079	$ (121,863)

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

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	September 30, 2021	September 30, 2020
	(Unaudited; in thousands)	
Cash Flows From Operating Activities:		
Net Income (Loss)	$ 677,154	$ (5,473)
Adjustments to reconcile net income (loss) to net cash flows used for operating activities:		
Depreciation	108,848	120,073
Amortization	28,572	29,465
Share-based compensation	46,493	39,946
Bad debt expense	1,191	7,822
Inventory obsolescence	27,411	31,068
Deferred income taxes	(39,064)	8,777
Income from equity method investments	(11,143)	(6,425)
Loss on extinguishment of long-term borrowings	101,695	—
(Gain) loss on sale of assets/business, net	(22,965)	2,284
Release of valuation allowances on deferred tax assets	(492,191)	—
Changes in assets and liabilities:		
Accounts receivable	(431,337)	(429,584)
Inventories	(393,349)	(204,822)
Prepaid expenses and other current assets	(11,252)	(6,721)
Accounts payable, accrued liabilities, and income taxes payable	161,884	(40,495)
Other, net	(7,823)	12,075
Net cash flows used for operating activities	(255,876)	(442,010)
Cash Flows From Investing Activities:		
Purchases of tools, dies, and molds	(53,678)	(42,371)
Purchases of other property, plant, and equipment	(61,531)	(40,059)
Payments of foreign currency forward exchange contracts, net	(1,229)	(26,982)
Proceeds from sale of assets/business	43,479	1,587
Other, net	1,479	696
Net cash flows used for investing activities	(71,480)	(107,129)
Cash Flows From Financing Activities:		
Proceeds from short-term borrowings, net	127,031	400,000
Payments of long-term borrowings	(1,575,997)	—
Proceeds from long-term borrowings, net	1,184,913	—
Option proceeds and tax withholdings for share-based compensation, net	(14,223)	(6,968)
Other, net	(1,640)	388
Net cash flows (used for) provided by financing activities	(279,916)	393,420
Effect of Currency Exchange Rate Changes on Cash and Equivalents	(6,401)	(22,142)
Decrease in Cash and Equivalents	(613,673)	(177,861)
Cash and Equivalents at Beginning of Period	762,181	630,028
Cash and Equivalents at End of Period	$ 148,508	$ 452,167

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

MATTEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	(Unaudited; in thousands)					
Balance, December 31, 2020	$ 441,369	$ 1,842,680	$ (2,282,939)	$ 1,553,610	$ (944,576)	$ 610,144
Net loss	—	—	—	(112,385)	—	(112,385)
Other comprehensive loss, net of tax	—	—	—	—	(16,450)	(16,450)
Issuance of treasury stock for stock option exercises	—	(803)	1,913	—	—	1,110
Issuance of treasury stock for restricted stock units vesting	—	(20,031)	13,065	—	—	(6,966)
Share-based compensation	—	15,112	—	—	—	15,112
Balance, March 31, 2021	$ 441,369	$ 1,836,958	$ (2,267,961)	$ 1,441,225	$ (961,026)	$ 490,565
Net loss	—	—	—	(5,537)	—	(5,537)
Other comprehensive income, net of tax	—	—	—	—	25,710	25,710
Issuance of treasury stock for stock option exercises	—	(676)	2,830	—	—	2,154
Issuance of treasury stock for restricted stock units vesting	—	(3,212)	2,683	—	—	(529)
Deferred compensation	—	(37)	225	—	—	188
Share-based compensation	—	15,168	—	—	—	15,168
Balance, June 30, 2021	$ 441,369	$ 1,848,201	$ (2,262,223)	$ 1,435,688	$ (935,316)	$ 527,719
Net income	—	—	—	795,076	—	795,076
Other comprehensive loss, net of tax	—	—	—	—	(15,335)	(15,335)
Issuance of treasury stock for stock option exercises	—	(1,585)	3,843	—	—	2,258
Issuance of treasury stock for restricted stock units vesting	—	(41,722)	29,470	—	—	(12,252)
Share-based compensation	—	16,212	—	—	—	16,212
Balance, September 30, 2021	$ 441,369	$ 1,821,106	$ (2,228,910)	$ 2,230,764	$ (950,651)	$ 1,313,678

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	(Unaudited; in thousands)					
Balance, December 31, 2019	$ 441,369	$ 1,825,569	$ (2,318,921)	$ 1,430,031	$ (869,484)	$ 508,564
Net loss	—	—	—	(205,702)	—	(205,702)
Other comprehensive loss, net of tax	—	—	—	—	(136,399)	(136,399)
Issuance of treasury stock for restricted stock units vesting	—	(3,777)	2,811	—	—	(966)
Share-based compensation	—	14,275	—	—	—	14,275
Balance, March 31, 2020	$ 441,369	$ 1,836,067	$ (2,316,110)	$ 1,224,329	$ (1,005,883)	$ 179,772
Net loss	—	—	—	(111,109)	—	(111,109)
Other comprehensive income, net of tax	—	—	—	—	28,286	28,286
Issuance of treasury stock for restricted stock units vesting	—	(944)	833	—	—	(111)
Deferred compensation	—	(186)	310	—	—	124
Share-based compensation	—	9,138	—	—	—	9,138
Balance, June 30, 2020	$ 441,369	$ 1,844,075	$ (2,314,967)	$ 1,113,220	$ (977,597)	$ 106,100
Net income	—	—	—	311,338	—	311,338
Other comprehensive loss, net of tax	—	—	—	—	(8,277)	(8,277)
Issuance of treasury stock for restricted stock units vesting	—	(36,865)	30,975	—	—	(5,890)
Share-based compensation	—	16,532	—	—	—	16,532
Balance, September 30, 2020	$ 441,369	$ 1,823,742	$ (2,283,992)	$ 1,424,558	$ (985,874)	$ 419,803

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

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.

The December 31, 2020 balance sheet data was derived from audited financial statements; however, the accompanying interim notes to the consolidated financial statements do not include all of the annual disclosures required by GAAP. As Mattel's business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The financial information included herein should be read in conjunction with Mattel's consolidated financial statements and related notes in the 2020 Annual Report on Form 10-K.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Revision of Previously Issued Consolidated Financial Statements

During the quarter ended June 30, 2021, Mattel identified a misstatement in its accounting for inventory tooling expenses, which were expensed to cost of sales rather than first being capitalized into the cost of inventory, which resulted in an understatement of inventory balances and a misstatement of cost of sales. Mattel also identified a misstatement related to the timing of disbursements for certain capital expenditures, which resulted in a cash flow misclassification between operating activities and investing activities. Mattel evaluated the misstatements and concluded that the misstatements were not material, either individually or in the aggregate, to its current or previously issued consolidated financial statements.

To correct the immaterial misstatements, during the quarter ended June 30, 2021, Mattel elected to revise its previously issued consolidated financial statements as of December 31, 2020 and 2019, and for each of the three years ended December 31, 2020, 2019, and 2018 and its unaudited consolidated financial statements as of and for the quarters and year-to-date periods ended March 31, 2020 and 2021, June 30, 2020, and September 30, 2020. The revision of the historical consolidated financial statements also includes the correction of other immaterial misstatements in its consolidated statement of operations that Mattel had previously recorded as out of period adjustments, as well as other previously identified balance sheet misclassifications. Mattel had previously determined that these misstatements did not, either individually or in the aggregate, result in a material misstatement of its previously issued consolidated financial statements and reached the same conclusion when aggregating with the recently identified misstatements. Further information regarding the misstatements and related revision is included in "Note 24 to the Consolidated Financial Statements— Revision for Immaterial Misstatements."

Accordingly, the accompanying financial statements and relevant footnotes to the consolidated financial statements in this Quarterly Report on Form 10-Q have been revised to correct for such misstatements. Mattel will present the revision of its previously issued consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019 in connection with the future filing of its 2021 Annual Report on Form 10-K. Additionally, Mattel will present the revision of its previously issued consolidated financial statements as of and for the three months ended March 31, 2021 in connection with the future filing of its Quarterly Reports on Form 10-Q.

2. Accounts Receivable

Mattel estimates current expected credit losses based on collection history and management’s assessment of the current economic trends, business environment, customers’ financial condition, and accounts receivable aging that may impact the level of future credit losses. Accounts receivable are net of allowances for credit losses of $11.3 million, $18.5 million, and $15.9 million as of September 30, 2021, September 30, 2020, and December 31, 2020, respectively.

3. Inventories

Inventories include the following:

	September 30, 2021	September 30, 2020	December 31, 2020
		(In thousands)	
Raw materials and work in process	$ 183,070	$ 113,248	$ 110,010
Finished goods	671,407	566,234	418,464
	$ 854,477	$ 679,482	$ 528,474

4. Property, Plant, and Equipment

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

	September 30, 2021	September 30, 2020	December 31, 2020
		(In thousands)	
Land	$ 21,817	$ 24,906	$ 24,913
Buildings	321,478	334,466	335,407
Machinery and equipment	774,792	750,119	772,349
Software	350,592	346,127	344,268
Tools, dies, and molds	607,226	608,301	607,915
Leasehold improvements	118,590	134,696	131,578
	2,194,495	2,198,615	2,216,430
Less: accumulated depreciation	(1,738,606)	(1,736,094)	(1,742,636)
	$ 455,889	$ 462,521	$ 473,794

During the three months ended March 31, 2021, Mattel completed the sale of a manufacturing plant based in Mexico, which included land and buildings, resulting in a pre-tax gain of $15.8 million. The assets sold were previously designated as held for sale, and included within property, plant, and equipment, net in the consolidated balance sheets as of December 31, 2020 and September 30, 2020.

5. Goodwill

Goodwill is allocated to various reporting units, which are at the operating segment level, for the purpose of evaluating whether goodwill is impaired. Mattel's reporting units are: (i) North America, (ii) International, and (iii) American Girl. Components of the operating segments have been aggregated into a single reporting unit as the components have similar economic characteristics. The similar economic characteristics include the nature of the products, the nature of the production processes, the customers, and the manner in which the products are distributed. 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.

In the third quarter of 2021, Mattel performed a qualitative assessment to determine whether it was more likely than not that the book value of Mattel's reporting units exceeded its fair value. As a result of Mattel's qualitative assessment, it was determined that goodwill was not impaired.

The change in the carrying amount of goodwill by operating segment for the nine months ended September 30, 2021 is shown below. Brand-specific goodwill held by foreign subsidiaries is allocated to the North America segment, thereby causing a foreign currency translation impact. During the first quarter of 2021, Mattel sold its arts, crafts, and stationery business, resulting in a reduction of goodwill of approximately $2 million.

	December 31, 2020	Dispositions	Currency Exchange Rate Impact	September 30, 2021
	(In thousands)			
North America	$ 733,401	$ (1,290)	$ (455)	$ 731,656
International	452,862	(1,056)	(1,318)	450,488
American Girl	207,571	—	—	207,571
	$ 1,393,834	$ (2,346)	$ (1,773)	$ 1,389,715

6. Other Noncurrent Assets

Other noncurrent assets include the following:

	September 30, 2021	September 30, 2020	December 31, 2020
	(In thousands)		
Identifiable intangible assets (net of accumulated amortization of $315.5 million, $277.5 million, and $286.9 million, respectively)	$ 487,769	$ 519,861	$ 518,190
Deferred income taxes	579,950	60,850	72,682

Mattel's amortizable intangible assets primarily consist of trademarks. Mattel 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. Mattel's amortizable intangible assets were not impaired during the three and nine months ended September 30, 2021 and 2020.

During the three and nine months ended September 30, 2021, Mattel recognized a net discrete tax benefit of $465.3 million and $445.8 million, respectively, primarily related to the release of the valuation allowances on certain U.S. and foreign deferred tax assets, income taxes recorded on a discrete basis in various jurisdictions, and reassessments of prior years' tax liabilities. Refer to "Note 20 to the Consolidated Financial Statements—Income Taxes" for additional information.

7. Accrued Liabilities

Accrued liabilities include the following:

	September 30, 2021	September 30, 2020	December 31, 2020
	(In thousands)		
Incentive compensation	$ 108,633	$ 97,635	$ 126,601
Advertising and promotion	98,746	89,597	163,181
Current lease liabilities	68,706	85,120	79,540

8. Seasonal Financing

On December 20, 2017, Mattel entered into a syndicated facility agreement, which was subsequently amended in 2018, 2019, and 2021 (as amended, the "Credit Agreement"), as a borrower (in such capacity, the "Borrower") and guarantor thereunder, along with certain of the Borrower's domestic and foreign subsidiaries as additional borrowers and/or guarantors thereunder.

On March 19, 2021, Mattel entered into the fourth amendment to the Credit Agreement, which amended certain terms, including, but not limited to, certain components of the borrowing base, a reduction of the aggregate principal commitments of the senior secured revolving credit facilities (the "senior secured revolving credit facilities") from $1.60 billion to $1.40 billion, and an extension of the maturity date from November 18, 2022 to March 19, 2024.

The senior secured revolving credit facilities consist of (i) an asset based lending facility with aggregate commitments up to $1.11 billion, subject to borrowing base capacity, secured by substantially all of the accounts receivable and inventory of the Borrower and certain of its subsidiaries who are borrowers and/or guarantors under the Credit Agreement, and (ii) a revolving credit facility with $294.0 million in aggregate commitments secured by certain fixed assets and intellectual property of the U.S. borrowers under the Credit Agreement, and certain equity interests in the borrower and guarantor subsidiaries under the Credit Agreement.

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 1.75% per annum or (b) an alternate base rate plus an applicable margin ranging from 0.25% to 0.75% 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, the Borrower 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.

Mattel had $128.0 million of borrowings under the senior secured revolving credit facilities as of September 30, 2021, $400.0 million of borrowings as of September 30, 2020, and no borrowings under the senior secured revolving credit facilities as of December 31, 2020. Outstanding letters of credit under the senior secured revolving credit facilities totaled approximately $10 million, $13 million, and $11 million as of September 30, 2021, September 30, 2020, and December 31, 2020, respectively.

As of September 30, 2021, Mattel was in compliance with all covenants contained in the Credit Agreement. 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:

	September 30, 2021	September 30, 2020	December 31, 2020
		(In thousands)	
2010 Senior Notes due October 2040	$ 250,000	$ 250,000	$ 250,000
2011 Senior Notes due November 2041	300,000	300,000	300,000
2013 Senior Notes due March 2023	250,000	250,000	250,000
2017/2018 Senior Notes due December 2025	—	1,500,000	1,500,000
2019 Senior Notes due December 2027	600,000	600,000	600,000
2021 Senior Notes due April 2026	600,000	—	—
2021 Senior Notes due April 2029	600,000	—	—
Debt issuance costs and debt discount	(30,165)	(47,249)	(45,336)
	$ 2,569,835	$ 2,852,751	$ 2,854,664

On March 19, 2021, Mattel issued (i) $600 million aggregate principal amount of 3.375% Senior Notes due 2026 (the "2026 Notes") and (ii) $600 million aggregate principal amount of 3.750% Senior Notes due 2029 (the "2029 Notes" and, together with the 2026 Notes, the "Notes"). The 2026 Notes will mature on April 1, 2026 and the 2029 Notes will mature on April 1, 2029, unless earlier redeemed in accordance with their respective terms. The Notes are guaranteed by Mattel’s existing and, subject to certain exceptions, future wholly-owned domestic restricted subsidiaries that guarantee Mattel’s senior secured revolving credit facilities or certain other indebtedness.

The net proceeds from the offering, together with cash on hand, were used to redeem $1,225 million in aggregate principal amount of Mattel’s outstanding 6.750% Senior Notes due December 2025 (the "2025 Notes") and pay related prepayment premiums and transaction fees and expenses. As a result of the partial redemption of the 2025 Notes, Mattel incurred a loss on extinguishment of $83.2 million, comprised of $62.0 million of prepayment premium costs and a $21.2 million write-off of the unamortized debt issuance costs, which was recorded within interest expense in the consolidated statements of operations.

On July 1, 2021, Mattel redeemed the remaining outstanding $275 million aggregate principal amount of the 2025 Notes. As a result of the redemption, Mattel incurred a loss on extinguishment of $18.5 million, comprised of $14.0 million of prepayment premium costs and a $4.5 million write-off of the unamortized debt issuance costs, which was recorded within interest expense in the consolidated statements of operations.

10. Other Noncurrent Liabilities

Other noncurrent liabilities include the following:

	September 30, 2021	September 30, 2020	December 31, 2020
		(In thousands)	
Benefit plan liabilities	$ 202,601	$ 203,295	$ 225,957
Deferred income tax liability	38,850	61,870	60,892

11. Accumulated Other Comprehensive Income (Loss)

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

	For the Three Months Ended September 30, 2021				
	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
			(In thousands)		
Accumulated Other Comprehensive Loss, Net of Tax, as of June 30, 2021	$ (6,709)	$ (4,290)	$ (182,285)	$ (742,032)	$ (935,316)
Other comprehensive income (loss) before reclassifications	13,900	(1,320)	56	(29,316)	(16,680)
Amounts reclassified from accumulated other comprehensive loss	(2,223)	—	3,568	—	1,345
Net increase (decrease) in other comprehensive income (loss)	11,677	(1,320)	3,624	(29,316)	(15,335)
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of September 30, 2021	$ 4,968	$ (5,610)	$ (178,661)	$ (771,348)	$ (950,651)

	For the Nine Months Ended September 30, 2021				
	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
			(In thousands)		
Accumulated Other Comprehensive Loss, Net of Tax, as of December 31, 2020	$ (15,369)	$ (7,522)	$ (186,854)	$ (734,831)	$ (944,576)
Other comprehensive income (loss) before reclassifications	23,230	1,912	(203)	(36,517)	(11,578)
Amounts reclassified from accumulated other comprehensive loss	(2,893)	—	8,396	—	5,503
Net increase (decrease) in other comprehensive income (loss)	20,337	1,912	8,193	(36,517)	(6,075)
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of September 30, 2021	$ 4,968	$ (5,610)	$ (178,661)	$ (771,348)	$ (950,651)

	For the Three Months Ended September 30, 2020				
	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
	(In thousands)				
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2020	$ 18,026	$ (8,145)	$ (166,279)	$ (821,199)	$ (977,597)
Other comprehensive (loss) income before reclassifications	(20,578)	178	(432)	13,032	(7,800)
Amounts reclassified from accumulated other comprehensive income (loss)	(2,200)	—	1,723	—	(477)
Net (decrease) increase in other comprehensive (loss) income	(22,778)	178	1,291	13,032	(8,277)
Accumulated Other Comprehensive Loss, Net of Tax, as of September 30, 2020	$ (4,752)	$ (7,967)	$ (164,988)	$ (808,167)	$ (985,874)

	For the Nine Months Ended September 30, 2020				
	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
	(In thousands)				
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of December 31, 2019	$ 11,041	$ (8,260)	$ (169,857)	$ (702,408)	$ (869,484)
Other comprehensive (loss) income before reclassifications	(4,556)	293	67	(105,759)	(109,955)
Amounts reclassified from accumulated other comprehensive income (loss)	(11,237)	—	4,802	—	(6,435)
Net (decrease) increase in other comprehensive (loss) income	(15,793)	293	4,869	(105,759)	(116,390)
Accumulated Other Comprehensive Loss, Net of Tax, as of September 30, 2020	$ (4,752)	$ (7,967)	$ (164,988)	$ (808,167)	$ (985,874)

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

	For the Three Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Derivative Instruments			
Gain on foreign currency forward exchange and other contracts	$ 2,322	$ 2,143	Cost of sales
Tax effect	(99)	57	(Benefit) Provision for income taxes
	$ 2,223	$ 2,200	Net Income (loss)
Employee Benefit Plans			
Amortization of prior service credit (a)	$ 455	$ 472	Other non-operating expense, net
Recognized actuarial loss (a)	(2,830)	(2,336)	Other non-operating expense, net
Settlement loss (a)	(3,375)	—	Other non-operating expense, net
	(5,750)	(1,864)	
Tax effect	2,182	141	(Benefit) Provision for income taxes
	$ (3,568)	$ (1,723)	Net Income (loss)

	For the Nine Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Derivative Instruments			
Gain on foreign currency forward exchange and other contracts	$ 3,191	$ 11,086	Cost of sales
Tax effect	(298)	151	(Benefit) Provision for income taxes
	$ 2,893	$ 11,237	Net Income (loss)
Employee Benefit Plans			
Amortization of prior service credit (a)	$ 1,253	$ 1,405	Other non-operating expense, net
Recognized actuarial loss (a)	(8,394)	(7,014)	Other non-operating expense, net
Settlement loss (a)	(3,375)	—	Other non-operating expense, net
	(10,516)	(5,609)	
Tax effect	2,120	807	(Benefit) Provision for income taxes
	$ (8,396)	$ (4,802)	Net Income (loss)

(a) The amortization of prior service credit, recognized actuarial loss, and settlement loss are included in the computation of net periodic benefit cost. Refer to "Note 16 to the Consolidated Financial Statements—Employee Benefit Plans" 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 foreign 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 and expense 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 loss within stockholders' equity. Currency translation adjustments resulted in a net loss of $36.5 million for the nine months ended September 30, 2021, primarily due to the weakening of the Mexican peso, Chilean peso, Turkish lira, British pound sterling, and the Euro against the U.S. dollar. Currency translation adjustments resulted in a net loss of $105.8 million for the nine months ended September 30, 2020, primarily due to the weakening of the Brazilian real, Mexican peso, Russian ruble, and the British pound sterling against the U.S. dollar.

12. Foreign Currency Transaction Exposure

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 in the consolidated statements of operations. Gains and losses on unhedged intercompany loans and advances are recorded as a component of other non-operating expense, net in the consolidated statements of operations in the period in which the currency exchange rate changes. Inventory transactions denominated in the Euro, Mexican peso, Australian dollar, British pound sterling, Canadian dollar, Russian ruble, and Brazilian real were the primary transactions that caused foreign currency transaction exposure for Mattel during the nine months ended September 30, 2021.

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

	For the Three Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Currency transaction losses	$ (4,855)	$ (2,119)	Operating income/loss
Currency transaction losses	(326)	(553)	Other non-operating income/expense, net
Currency transaction losses, net	$ (5,181)	$ (2,672)	

	For the Nine Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Currency transaction losses	$ (7,358)	$ (8,037)	Operating income/loss
Currency transaction losses	(5,135)	(2,988)	Other non-operating income/expense, net
Currency transaction losses, net	$ (12,493)	$ (11,025)	

13. 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 income (loss) ("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. 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 does not use hedge accounting for these contracts, and as such, changes in fair value are recorded in the period of change in the consolidated statements of operations. Mattel utilizes derivative contracts to hedge certain purchases of commodities, which were not material. As of September 30, 2021, September 30, 2020, and December 31, 2020, Mattel held foreign currency forward exchange contracts and other commodity derivative instruments, with notional amounts of $861.2 million, $903.1 million, and $855.0 million, respectively.

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

	Derivative Assets			
		Fair Value		
	Balance Sheet Classification	September 30, 2021	September 30, 2020	December 31, 2020
		(In thousands)		
Derivatives designated as hedging instruments				
Foreign currency forward exchange and other contracts	Prepaid expenses and other current assets	$ 11,624	$ 5,340	$ 3,641
Foreign currency forward exchange and other contracts	Other noncurrent assets	2,775	896	50
Total derivatives designated as hedging instruments		$ 14,399	$ 6,236	$ 3,691
Derivatives not designated as hedging instruments				
Foreign currency forward exchange and other contracts	Prepaid expenses and other current assets	$ 1,165	$ 2,337	$ 1,982
Foreign currency forward exchange and other contracts	Other noncurrent assets	—	—	38
Total derivatives not designated as hedging instruments		$ 1,165	$ 2,337	$ 2,020
		$ 15,564	$ 8,573	$ 5,711

	Derivative Liabilities			
		Fair Value		
	Balance Sheet Classification	September 30, 2021	September 30, 2020	December 31, 2020
		(In thousands)		
Derivatives designated as hedging instruments				
Foreign currency forward exchange and other contracts	Accrued liabilities	$ 4,046	$ 9,256	$ 20,330
Foreign currency forward exchange and other contracts	Other noncurrent liabilities	7	3,602	4,361
Total derivatives designated as hedging instruments		$ 4,053	$ 12,858	$ 24,691
Derivatives not designated as hedging instruments				
Foreign currency forward exchange and other contracts	Accrued liabilities	$ 2,247	$ 984	$ 803
Foreign currency forward exchange and other contracts	Other noncurrent liabilities	—	99	—
Total derivatives not designated as hedging instruments		$ 2,247	$ 1,083	$ 803
		$ 6,300	$ 13,941	$ 25,494

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

	Derivatives Designated As Hedging Instruments For the Three Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Foreign currency forward exchange contracts:			
Amount of gains (losses) recognized in OCI	$ 13,900	$ (20,578)	
Amount of gains reclassified from accumulated OCI to consolidated statements of operations	2,223	2,200	Cost of sales

	Derivatives Designated As Hedging Instruments For the Nine Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Foreign currency forward exchange contracts:			
Amount of gains (losses) recognized in OCI	$ 23,230	$ (4,556)	
Amount of gains reclassified from accumulated OCI to consolidated statements of operations	2,893	11,237	Cost of sales

The net gains (losses) reclassified from accumulated other comprehensive loss to the consolidated statements of operations during the three and nine months ended September 30, 2021 and 2020, respectively, were offset by the changes in cash flows associated with the underlying hedged transactions.

	Derivatives Not Designated As Hedging Instruments For the Three Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Amount of net (losses) gains recognized in the Statements of Operations			
Foreign currency forward exchange and other contract (losses) gains	$ (2,900)	$ 232	Other non-operating expense, net
	$ (2,900)	$ 232	

	Derivatives Not Designated As Hedging Instruments		
	For the Nine Months Ended		
	September 30, 2021	September 30, 2020	Statements of Operations Classification
	(In thousands)		
Amount of net losses recognized in the Statements of Operations			
Foreign currency forward exchange and other contract (losses)	$ (3,863)	$ (30,015)	Other non-operating expense, net
Foreign currency forward exchange and other contract gains	639	—	Cost of sales
	$ (3,224)	$ (30,015)	

The net (losses) gains recognized in the consolidated statements of operations during the three and nine months ended September 30, 2021 and September 30, 2020, respectively, were offset by foreign currency transaction gains and losses on the related hedged balances.

14. Fair Value Measurements

The following tables present information about Mattel's assets and liabilities measured and reported in the financial statements at fair value on a recurring basis as of September 30, 2021, September 30, 2020, and December 31, 2020 and indicate 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, either directly or indirectly.
- 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 include the following:

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts and other (a)	$ —	$ 15,564	$ —	$ 15,564
Available-for-sale (b)	6,180	—	—	6,180
Total assets	$ 6,180	$ 15,564	$ —	$ 21,744
Liabilities:				
Foreign currency forward exchange contracts and other (a)	$ —	$ 6,300	$ —	$ 6,300

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts and other (a)	$ —	$ 8,573	$ —	$ 8,573
Available-for-sale (b)	3,823	—	—	3,823
Total assets	$ 3,823	$ 8,573	$ —	$ 12,396
Liabilities:				
Foreign currency forward exchange contracts and other (a)	$ —	$ 13,941	$ —	$ 13,941

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts and other (a)	$ —	$ 5,711	$ —	$ 5,711
Available-for-sale (b)	4,268	—	—	4,268
Total assets	$ 4,268	$ 5,711	$ —	$ 9,979
Liabilities:				
Foreign currency forward exchange contracts and other (a)	$ —	$ 25,494	$ —	$ 25,494

(a) The fair value of the foreign currency forward exchange contracts and other commodity derivative instruments is based on dealer quotes of market forward rates and reflects 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.

Other Financial Instruments

Mattel's financial instruments include cash and equivalents, accounts receivable, accounts payable, accrued liabilities, short-term borrowings, and long-term debt. The fair values of these instruments, excluding long-term debt, approximate their carrying values because of their short-term nature. Cash and equivalents are 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 was $2.83 billion (compared to a carrying value of $2.60 billion) as of September 30, 2021, $2.98 billion (compared to a carrying value of $2.90 billion) as of September 30, 2020, and $3.11 billion (compared to a carrying value of $2.90 billion) as of December 31, 2020. 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.

15. Earnings Per Share

The following table reconciles basic and diluted earnings per common share for the three and nine months ended September 30, 2021 and 2020:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands, except per share amounts)			
Basic:				
Net income (loss)	$ 795,076	$ 311,338	$ 677,154	$ (5,473)
Weighted-average number of common shares	350,424	347,628	349,642	347,206
Basic net income (loss) per common share	$ 2.27	$ 0.90	$ 1.94	$ (0.02)
Diluted:				
Net income (loss)	$ 795,076	$ 311,338	$ 677,154	$ (5,473)
Weighted-average number of common shares	350,424	347,628	349,642	347,206
Dilutive share-based awards (a)	3,754	1,086	4,671	—
Weighted-average number of common and potential common shares	354,178	348,714	354,313	347,206
Diluted net income (loss) per common share	$ 2.24	$ 0.89	$ 1.91	$ (0.02)

(a) For the three and nine months ended September 30, 2021, share-based awards totaling 12.6 million and 11.7 million, respectively, were excluded from the calculation of diluted net income per common share because their effect would be antidilutive. For the three months ended September 30, 2020, share-based awards totaling 22.3 million were excluded from the calculation of diluted net income per common share because their effect would be antidilutive. Mattel was in a net loss position for the nine months ended September 30, 2020, and, accordingly, all outstanding share-based awards were excluded from the calculation of diluted net loss per common share because their effect would be antidilutive.

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 the 2020 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 Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)		(In thousands)	
Service cost	$ 1,194	$ 1,015	$ 3,780	$ 3,236
Interest cost	2,525	3,729	7,595	11,247
Expected return on plan assets	(4,627)	(4,899)	(13,891)	(14,722)
Amortization of prior service cost	54	37	275	123
Recognized actuarial loss	2,832	2,355	8,401	7,070
Settlement loss	3,375	—	3,375	—
	$ 5,353	$ 2,237	$ 9,535	$ 6,954

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 Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)		(In thousands)	
Interest cost	$ 19	$ 35	$ 59	$ 104
Amortization of prior service credit	(509)	(509)	(1,528)	(1,528)
Recognized actuarial gain	(2)	(19)	(7)	(56)
	$ (492)	$ (493)	$ (1,476)	$ (1,480)

Mattel's service cost component is recorded within operating income while other components of net periodic pension cost and postretirement benefit cost are recorded outside of operating income, presented in other non-operating expense, net.

During the nine months ended September 30, 2021, Mattel made cash contributions totaling approximately $10 million related to its defined benefit pension and postretirement benefit plans. During the remainder of 2021, Mattel expects to make additional cash contributions of approximately $12 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 8 to the Consolidated Financial Statements—Share-Based Payments" in the 2020 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. Stock options, RSUs, and performance awards generally provide for vesting over, or at the end of, a period of three years from the date of grant.

As of September 30, 2021, three long-term incentive programs were in place with the following performance cycles: (i) a January 1, 2019–December 31, 2021 performance cycle, (ii) a January 1, 2020–December 31, 2022 performance cycle, and (iii) a January 1, 2021–December 31, 2023 performance cycle.

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)			
Stock option compensation expense	$ 2,407	$ 3,095	$ 7,851	$ 8,602
RSU compensation expense	6,633	7,973	20,664	21,923
Performance award compensation expense	7,172	5,464	17,978	9,421
	$ 16,212	$ 16,532	$ 46,493	$ 39,946

As of September 30, 2021, total unrecognized compensation expense related to unvested share-based payments totaled $105.8 million and is expected to be recognized over a weighted-average period of 2.3 years.

Mattel uses treasury shares purchased under its share repurchase program to satisfy stock option exercises and the vesting of RSUs and performance awards. For the nine months ended September 30, 2021, cash received for stock option exercises was $5.5 million. For the nine months ended September 30, 2020, no cash was received for stock option exercises.

18. Other Selling and Administrative Expenses

Other selling and administrative expenses include the following:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)			
Design and development	$ 47,739	$ 45,495	$ 138,466	$ 136,609
Identifiable intangible asset amortization	9,514	9,813	28,572	29,465

19. Restructuring Charges

Optimizing for Growth (formerly Capital Light)

On February 9, 2021, Mattel announced the Optimizing for Growth program, a multi-year cost savings program that integrates and expands upon the previously announced Capital Light program (the "Program").

In connection with the Program, Mattel recorded severance and other restructuring costs in the following cost and expense categories within the consolidated statements of operations:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)			
Cost of sales (a)	$ 148	$ 348	$ 1,930	$ 4,812
Other selling and administrative expenses (b)	9,258	2,259	26,411	6,379
	$ 9,406	$ 2,607	$ 28,341	$ 11,191

(a) Severance and other restructuring costs recorded within cost of sales in the consolidated statements of operations include charges associated with the consolidation of manufacturing facilities.

(b) Severance and other restructuring costs recorded within other selling and administrative expenses in the consolidated statements of operations are included in corporate and other expense in "Note 22 to the Consolidated Financial Statements—Segment Information."

The following table summarizes Mattel's severance and other restructuring charges activity related to the Program for the nine months ended September 30, 2021:

	Liability at December 31, 2020	Charges (a)	Payments/Utilization	Liability at September 30, 2021
	(In thousands)			
Severance	$ 5,294	$ 15,277	$ (7,716)	$ 12,855
Other restructuring charges	30	13,064	(10,179)	2,915
	$ 5,324	$ 28,341	$ (17,895)	$ 15,770

(a) Other restructuring charges consist primarily of charges associated with the consolidation of manufacturing facilities and commercial and corporate functions.

As of September 30, 2021, Mattel has recorded cumulative severance and other restructuring charges related to the Program of approximately $79 million, which include approximately $20 million of non-cash charges. Furthermore, cumulatively, in conjunction with previous actions taken under the Program, total expected cash expenditures are approximately $140 to $165 million and total expected non-cash charges are $40 to $45 million.

During the three months ended March 31, 2021, in conjunction with the Program, Mattel completed the sale of a manufacturing plant based in Mexico, which included land and buildings, resulting in a pre-tax gain of $15.8 million.

Other Cost Savings Actions

During the first nine months of 2020, Mattel recorded severance charges of approximately $18 million, primarily related to actions taken to further streamline its organizational structure.

20. Income Taxes

Mattel's provision for income taxes was a benefit of $456.8 million and $415.8 million for the three and nine months ended September 30, 2021, respectively, and provision for income taxes was an expense of $22.1 million and $46.8 million for the three and nine months ended September 30, 2020, respectively. During the three and nine months ended September 30, 2021, Mattel recognized a net discrete tax benefit of $465.3 million and $445.8 million, respectively, primarily related to the release of valuation allowances on certain U.S. and foreign deferred tax assets, income taxes recorded on a discrete basis in various jurisdictions, and reassessments of prior years' tax liabilities. During the three and nine months ended September 30, 2020, Mattel recognized a net discrete tax expense of $1.7 million and $11.4 million, respectively, primarily related to income taxes recorded on a discrete basis in various jurisdictions and reassessments of prior years' tax liabilities.

Evaluating the need for and the amount of a valuation allowance for deferred tax assets often requires significant judgment and extensive analysis of all available evidence to determine whether it is more-likely-than-not that these assets will be realizable. Mattel routinely assesses the positive and negative evidence for this realizability, including the evaluation of sustained profitability and three years of cumulative pretax income for each tax jurisdiction. During the three and nine months ended September 30, 2021, Mattel continued to see improved and sustained profitability, which presents objective positive evidence for the realizability of certain deferred tax assets. As such, based on the overall analysis of the positive and negative evidence in each tax jurisdiction, in the third quarter of 2021 Mattel released the valuation allowances related to U.S. federal deferred tax assets and foreign deferred tax assets, except for certain tax assets that are primarily expected to expire before utilization. Valuation allowance releases in the third quarter of 2021 resulted in recognition of a portion of these deferred tax assets and a benefit to Mattel's provision for income taxes of $492.2 million.

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 $32 million related to the settlement of tax audits and/or the expiration of statutes of limitations. The ultimate settlement of any particular issue with the applicable taxing authority could have a material impact on Mattel's consolidated financial statements.

Mattel has recorded a deferred tax liability related to undistributed earnings of certain foreign subsidiaries as of September 30, 2021 and September 30, 2020. In the third quarter of 2021, Mattel recorded an approximately $1 million deferred tax liability on $3.5 billion of undistributed foreign earnings for which deferred taxes had not previously been recorded. For remaining undistributed foreign earnings, Mattel has not provided any deferred taxes with respect to items such as foreign withholding taxes, state income tax or foreign exchange gain or loss that would be due when cash is actually repatriated to the U.S. because those foreign earnings are considered indefinitely reinvested in the business or may be remitted substantially free of any additional local taxes. The determination of any incremental tax liability associated with these earnings is not practicable due to the complexity of local country withholding rules and interactions with tax treaties, foreign exchange considerations, and the diversity of state income tax treatment on actual distribution. Mattel will remit reinvested earnings of its foreign subsidiaries for which a deferred tax liability has been recorded when the Company determines that it is advantageous for business operations or cash management purposes.

21. Contingencies

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 sought 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.

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 sought 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.

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, but the settlement was later rejected by the courts, subject to a pending appeal by Mattel.

On October 2, 2018, the Appeals Court rejected Mattel's merits appeal, and affirmed the prior rulings in favor of Yellowstone. In October 2019, Mattel reached an agreement with Yellowstone's former counsel regarding payment of the attorney's fees portion of the judgment. In November 2019, Yellowstone initiated an action to enforce its judgment against Mattel, but did not account for an offset for Mattel's counterclaim. On January 27, 2020, Mattel obtained an injunction, staying Yellowstone's enforcement action pending resolution of Mattel's appeal to enforce the parties' April 2018 settlement. As of September 30, 2021, Mattel assessed its probable loss related to the Yellowstone matter and has accrued a reserve, which was not material.

Litigation Related to the Fisher-Price Rock 'n Play Sleeper

A number of putative class action lawsuits are pending against Fisher-Price, Inc. and/or Mattel, Inc. asserting claims for false advertising, negligent product design, breach of warranty, fraud, and other claims in connection with the marketing and sale of the Fisher-Price Rock 'n Play Sleeper (the "Sleeper"). In general, the lawsuits allege that the Sleeper should not have been marketed and sold as safe and fit for prolonged and overnight sleep for infants. The putative class action lawsuits propose nationwide and over 15 statewide consumer classes comprised of those who purchased the Sleeper as marketed as safe for prolonged and overnight sleep. The class actions have been consolidated before a single judge for pre-trial purposes pursuant to the federal courts’ Multi-District Litigation program.

Forty additional lawsuits are pending against Fisher-Price, Inc. and Mattel, Inc. alleging that a product defect in the Sleeper caused the fatalities of or injuries to forty-four children. Several lawsuits have been settled and/or dismissed. Additionally, Fisher-Price, Inc. and/or Mattel, Inc. have also received letters from lawyers purporting to represent additional plaintiffs who are threatening to assert similar claims.

In addition, a stockholder has filed a derivative action in the Court of Chancery for the State of Delaware (Kumar v. Bradley, et al., filed July 7, 2020) alleging breach of fiduciary duty and unjust enrichment related to the development, marketing, and sale of the Sleeper. The defendants in the derivative action are certain of Mattel's current and former officers and directors. In August 2020, the derivative action was stayed pending further developments in the class action lawsuits. In August 2021, a second similar derivative action was filed in the Court of Chancery for the State of Delaware (Armon v. Bradley, et al., filed August 30, 2021).

The lawsuits seek compensatory damages, punitive damages, statutory damages, restitution, disgorgement, attorneys’ fees, costs, interest, declaratory relief, 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.

Litigation and Investigations Related to Whistleblower Letter

In December 2019 and January 2020, two stockholders filed separate complaints styled as class actions against Mattel, Inc. and certain of its former officers (the "Mattel Defendants"), as well as others, in the United States District Court for the Central District of California, that were later amended and consolidated, alleging violations of federal securities laws. The complaints rely on the results of an investigation announced by Mattel in October 2019 regarding allegations in a whistleblower letter and claim that Mattel misled the market in several of its financial statements beginning in the third quarter of 2017. The lawsuits allege that the defendants' conduct caused the plaintiffs and other stockholders to purchase Mattel common stock at artificially inflated prices. The court granted plaintiffs' motion for class certification in September 2021. Following a mediation on October 25, 2021, the parties reached an agreement in principle to settle the class action lawsuits, which is subject to court approval. The Mattel Defendants are paying $86 million in settlement of the claims against them, which will be funded in full by Mattel’s insurers. The settlement does not entail any admission of fault or liability by the Mattel Defendants, which the Mattel Defendants have expressly contested throughout the pendency of the litigation. Mattel’s receivables from its insurers and the offsetting settlement liability have been recorded as of September 30, 2021 within prepaid expenses and other current assets and accrued liabilities, respectively, with no net impact to Mattel’s statement of operations or statement of cash flows.

In addition, a stockholder has filed a derivative action in the United States District Court for the District of Delaware (Moher v. Kreiz, et al., filed April 9, 2020) making allegations that are substantially identical to, or are based upon, the allegations of the class action lawsuits. The defendants in the derivative action are certain of Mattel's current and former officers and directors, Mattel, Inc., and PricewaterhouseCoopers LLP. Subsequently, a nearly identical derivative action was filed by a different stockholder against the same defendants. The second lawsuit is styled as an amended complaint and replaces a complaint making unrelated allegations in a previously filed lawsuit already pending in Delaware federal court (Lombardi v. Kreiz, et al., amended complaint filed April 16, 2020). In May 2020, the Moher and Lombardi derivative actions were consolidated and stayed pending further developments in the class action lawsuits. In June 2021, a third similar derivative action was filed in the United States District Court for the District of Delaware (Chagnon v. Kreiz, et al., filed June 22, 2021). Five additional derivative actions asserting similar claims are also pending in the Court of Chancery for the State of Delaware (Owen v. Euteneuer, et al., filed May 12, 2021; Andersen v. Georgiadis, et al., filed May 18, 2021; Armon v. Euteneuer, et al., filed June 29, 2021; Haag v. Euteneuer, et al., filed September 9, 2021; Shumacher v. Kreiz, et al., filed October 19, 2021; and Mizell v. PricewaterhouseCoopers LLP, et al., filed October 29, 2021). An additional derivative action was also filed in United States District Court for the Central District of California (City of Pontiac Police and Fire Retirement System v. PricewaterhouseCoopers LLP, et al. filed October 27, 2021).

The lawsuits seek unspecified compensatory and punitive damages, attorneys' fees, expert fees, costs, equitable relief 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.

Mattel has also received subpoenas from the Securities and Exchange Commission (the "SEC") seeking documents related to the whistleblower letter and subsequent investigation, and is responding to those subpoenas. Mattel is also responding to requests from the United States Attorney's Office for the Southern District of New York ("SDNY") related to this matter. Mattel cannot predict the eventual scope, duration or outcome of potential legal action by the SEC or SDNY, if any, or whether any such action could have a material impact on Mattel's financial condition, results of operations or cash flows.

22. Segment Information

Mattel designs, manufactures, and markets a broad variety of toy products worldwide, which are sold to its customers and directly to consumers.

Segment Data

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 across categories, although some products are developed and adapted for particular international markets.

The following tables present information regarding net sales, operating income (loss), and assets by segment. The corporate and other expense category includes operating costs not allocated to individual segments, including charges related to incentive and share-based compensation, corporate headquarters functions managed on a worldwide basis, the impact of changes in foreign currency exchange rates on intercompany transactions, and certain severance and other restructuring costs. The prior period presentation of operating income (loss) by segment and assets by segment has been conformed to the current period's presentation.

It is impracticable for Mattel to present net sales by categories, brands, or products, as trade discounts and other allowances are generally recorded in the financial accounting systems by customer.

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)			
Net Sales by Segment				
North America	$ 1,037,004	$ 926,623	$ 2,077,493	$ 1,647,069
International	673,295	658,396	1,447,547	1,198,817
American Girl	51,994	51,445	137,811	116,784
Net sales	$ 1,762,293	$ 1,636,464	$ 3,662,851	$ 2,962,670

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)			
Operating Income by Segment				
North America (a)	$ 372,015	$ 346,709	$ 646,466	$ 445,395
International (a)	150,598	186,440	237,616	154,996
American Girl	(6,535)	(9,285)	(25,825)	(40,272)
	516,078	523,864	858,257	560,119
Corporate and other expense (b)	(127,004)	(144,363)	(386,171)	(373,468)
Operating Income	389,074	379,501	472,086	186,651
Interest expense	52,062	50,415	220,689	149,010
Interest (income)	(753)	(455)	(2,156)	(3,564)
Other non-operating expense, net	3,901	1,327	3,347	7,012
Income Before Income Taxes	$ 333,864	$ 328,214	$ 250,206	$ 34,193

(a) Segment operating income included severance and restructuring expenses of $0.1 million and $1.9 million, for the three and nine months ended September 30, 2021, respectively, and $0.3 million and $4.8 million, for the three and nine months ended September 30, 2020, respectively, which were allocated to the North America and International segments.

(b) Corporate and other expense included severance and restructuring charges of $9.2 million and $25.7 million, for the three and nine months ended September 30, 2021, respectively, and $6.7 million and $30.5 million, for the three and nine months ended September 30, 2020, respectively. Corporate and other expense also included expenses related to inclined sleeper product recall litigation of $2.8 million and $14.9 million for the three and nine months ended September 30, 2021, respectively, and $10.1 million and $19.2 million, for the three and nine months ended September 30, 2020, respectively, and incentive and share-based compensation for all periods presented.

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

	September 30, 2021	September 30, 2020	December 31, 2020
	(In thousands)		
Assets by Segment			
North America	$ 1,073,657	$ 964,198	$ 658,404
International	925,626	821,553	715,043
American Girl	70,356	67,214	40,414
	2,069,639	1,852,965	1,413,861
Corporate and other	222,742	152,645	148,579
Accounts receivable and inventories, net	$ 2,292,381	$ 2,005,610	$ 1,562,440

Geographic Information

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(In thousands)			
Net Sales by Geographic Area				
North America	$ 1,088,998	$ 978,068	$ 2,215,304	$ 1,763,853
International				
EMEA	420,833	410,210	905,818	735,481
Latin America	180,798	158,982	329,553	267,976
Asia Pacific	71,664	89,204	212,176	195,360
Total International	673,295	658,396	1,447,547	1,198,817
Net sales	$ 1,762,293	$ 1,636,464	$ 3,662,851	$ 2,962,670

23. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for incomes taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify the accounting for other areas of Topic 740 by clarifying and amending existing guidance. The amendments related to changes in ownership of foreign equity method investments or foreign subsidiaries are applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The amendments related to franchise taxes that are partially based on income are applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. All other amendments are applied on a prospective basis. Mattel adopted ASU 2019-12 on January 1, 2021. The adoption of this new accounting standard did not have a material impact on Mattel's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In March 2020 and January 2021, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and ASU 2021-01, Reference Rate Reform (Topic 848): Scope, respectively. ASU 2020-04 and ASU 2021-01 provide optional expedients and exceptions for applying U.S. GAAP, to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The guidance in ASU 2020-04 and ASU 2021-01 was effective upon issuance and, once adopted, may be applied prospectively to contract modifications and hedging relationships through December 31, 2022. Mattel is currently evaluating the impact of the adoption of ASU 2020-04 and ASU 2021-01 on its consolidated financial statements.

24. Revision for Immaterial Misstatements

As disclosed in "Note 1 to the Consolidated Financial Statements—Basis of Presentation," during the quarter ended June 30, 2021, Mattel identified misstatements for inventory tooling expenses that should have first been capitalized into inventory and a misstatement related to the timing of disbursements for certain capital expenditures that resulted in a cash flow misclassification between operating activities and investing activities. Although Mattel concluded that these misstatements were not material, either individually or in aggregate, to its current or previously issued consolidated financial statements, Mattel elected to revise its previously issued consolidated financial statements to correct for these misstatements. In connection with such revision, Mattel is also correcting for other previously identified immaterial misstatements that were previously corrected for as out of period adjustments in the period of identification.

Due to certain misstatements originating prior to 2018, the opening retained earnings balance as of January 1, 2018 was understated by $25.1 million, primarily due to the net impact of the tooling misstatement of $37.2 million, partially offset by other previously identified misstatements of $12.1 million. Such previously identified misstatements were previously corrected for as out of period adjustments and included the improper revenue recognition for certain licensing contracts executed prior to 2018 and the understatement of depreciation expense for certain fixed assets. Similarly, the opening retained earnings balance as of January 1, 2020 was understated by $16.9 million, which principally included the net impact of the tooling misstatement and an over-accrual of advertising costs.

The revision also reflects the correction of previously identified balance sheet misclassifications, including a misclassification between property, plant and equipment and other assets associated with capitalized implementation costs for cloud computing software.

The accompanying consolidated statements of cash flows have been revised to reflect the above items, inclusive of the cash flow misstatement between operating and investing activities related to capitalized implementation costs for cloud computing software and the timing of disbursements for capital expenditures.

The revision to the accompanying unaudited consolidated balance sheets, consolidated statements of operations and comprehensive loss, and consolidated statements of cash flows are as follows. There were no changes to the consolidated statements of stockholders' equity that have not otherwise been reflected in the consolidated balance sheets and consolidated statements of operations and comprehensive income (loss) as detailed in the tables below:

	As of September 30, 2020		
	As Previously Reported	Adjustments	As Revised
		(In thousands)	
Consolidated Balance Sheet			
Inventories	$ 663,639	$ 15,843	$ 679,482
Total current assets	$ 2,599,863	$ 15,843	$ 2,615,706
Property, plant, and equipment, net	$ 497,437	$ (34,916)	$ 462,521
Other noncurrent assets	$ 828,438	$ 28,469	$ 856,907
Total Assets	$ 5,604,095	$ 9,396	$ 5,613,491
Accrued liabilities	$ 739,790	$ (9,000)	$ 730,790
Total current liabilities	$ 1,658,421	$ (9,000)	$ 1,649,421
Other noncurrent liabilities	$ 436,459	$ 3,100	$ 439,559
Total noncurrent liabilities	$ 3,541,167	$ 3,100	$ 3,544,267
Retained earnings	$ 1,409,262	$ 15,296	$ 1,424,558
Total stockholders' equity	$ 404,507	$ 15,296	$ 419,803

	Three Months Ended September 30, 2020		
	As Previously Reported	Adjustments	As Revised
	(In thousands, except per share amounts)		
Consolidated Statement of Operations and Comprehensive Income			
Net Sales	$ 1,631,691	$ 4,773	$ 1,636,464
Cost of sales	$ 799,307	$ 9,429	$ 808,736
Gross profit	$ 832,384	$ (4,656)	$ 827,728
Operating Income	$ 384,157	$ (4,656)	$ 379,501
Income Before Income Taxes	$ 332,870	$ (4,656)	$ 328,214
Net Income	$ 315,994	$ (4,656)	$ 311,338
Comprehensive Income	$ 307,717	$ (4,656)	$ 303,061
Net Income Per Common Share - Basic	$ 0.91	$ (0.01)	$ 0.90
Net Income Per Common Share - Diluted	$ 0.91	$ (0.02)	$ 0.89

	Nine Months Ended September 30, 2020		
	As Previously Reported	Adjustments	As Revised
	(In thousands, except per share amounts)		
Consolidated Statement of Operations and Comprehensive Loss			
Net Sales	$ 2,957,897	$ 4,773	$ 2,962,670
Cost of sales	$ 1,549,482	$ 6,327	$ 1,555,809
Gross Profit	$ 1,408,415	$ (1,554)	$ 1,406,861
Operating Income	$ 188,205	$ (1,554)	$ 186,651
Income Before Income Taxes	$ 35,747	$ (1,554)	$ 34,193
Net Loss	$ (3,919)	$ (1,554)	$ (5,473)
Comprehensive Loss	$ (120,309)	$ (1,554)	$ (121,863)
Net Loss Per Common Share - Basic	$ (0.01)	$ (0.01)	$ (0.02)
Net Loss Per Common Share - Diluted	$ (0.01)	$ (0.01)	$ (0.02)

	Nine Months Ended September 30, 2020		
	As Previously Reported	Adjustments	As Revised
	(In thousands)		
Consolidated Statement of Cash Flows			
Net loss	$ (3,919)	$ (1,554)	$ (5,473)
Changes in assets and liabilities:			
Inventories	$ (211,149)	$ 6,327	$ (204,822)
Prepaid expenses and other current assets	$ 18,979	$ (25,700)	$ (6,721)
Accounts payable, accrued liabilities, and income taxes payable	$ (40,082)	$ (413)	$ (40,495)
Other, net	$ (1,232)	$ 13,307	$ 12,075
Net cash flows used for operating activities	$ (433,977)	$ (8,033)	$ (442,010)
Purchases of tools, dies, and molds	$ (41,447)	$ (924)	$ (42,371)
Purchases of other property, plant, and equipment	$ (49,016)	$ 8,957	$ (40,059)
Net cash flows used for investing activities	$ (115,162)	$ 8,033	$ (107,129)

	As of December 31, 2020		
	As Previously Reported	Adjustments	As Revised
		(In thousands)	
Consolidated Balance Sheet			
Inventories	$ 514,673	$ 13,801	$ 528,474
Total current assets	$ 2,482,890	$ 13,801	$ 2,496,691
Total Assets	$ 5,521,089	$ 13,801	$ 5,534,890
Retained earnings	$ 1,539,809	$ 13,801	$ 1,553,610
Total stockholders' equity	$ 596,343	$ 13,801	$ 610,144

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 subsidiaries.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes that appear in Part I, Item 1 "Financial Statements" 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 most comparable to corresponding periods.

The following discussion includes currency exchange rate impact, a non-GAAP financial measure within the meaning of Regulation G promulgated by the SEC ("Regulation G"), to supplement the financial results as reported in accordance with generally accepted accounting principles ("GAAP"). 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 this non-GAAP financial measure 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 this non-GAAP financial measure provides useful supplemental information to investors to allow them to better evaluate ongoing business performance and certain components of Mattel's results. This measure is not, and should not be viewed as, a substitute for GAAP financial measures.

The following discussion also includes the use of gross billings, a key performance indicator. Gross billings represent amounts invoiced to customers. It does not include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross billings as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business. Changes in gross billings are discussed because, while Mattel records the details of sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with categories, brands, and individual products.

The following discussion has been amended to reflect Mattel’s revision of previously issued consolidated financial statements to correct for prior period misstatements, which Mattel concluded did not, either individually or in the aggregate, result in a material misstatement of its previously issued consolidated financial statements. Further information regarding the revision is included in Part 1, Item 1 "Note 1 to the Consolidated Financial Statements — Basis of Presentation" and "Note 24 to the Consolidated Financial Statements — Revision for Immaterial Misstatements" of this Quarterly Report on Form 10-Q.

Effective as of the first quarter of 2021, operating income by segment reviewed by the Chief Operating Decision Maker does not include certain corporate expenses which were historically allocated by segment. The prior period presentation of operating income by segment has been conformed to the current period's presentation.

Note that amounts shown in millions or billions within this Item 2 may not sum due to rounding.

Overview

Mattel is a leading global toy company and owner of one of the strongest catalogs of children’s and family entertainment franchises in the world, creating innovative products and experiences that inspire, entertain and develop children through play. Mattel is focused on the following two-part strategy to transform Mattel into an intellectual property ("IP") driven, high-performing toy company:

- In the short-term, improve profitability by optimizing operations and accelerate topline growth by growing Mattel's Power Brands and expanding Mattel's brand portfolio.
- In the mid-to-long-term, continue to make progress on capturing the full value of Mattel's IP through franchise management and online retail and e-commerce.

Mattel is the owner of a portfolio of iconic brands and partners with global entertainment companies to license other intellectual property. Mattel's owned and licensed brands and products are organized into the following categories:

Dolls—including brands such as *Barbie*, *American Girl*, *Polly Pocket*, *Spirit (Universal)* and *Enchantimals*. Mattel's Dolls portfolio is driven by the flagship *Barbie* brand and a collection of complementary brands offered globally. 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, *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.

Infant, Toddler, and Preschool—including brands such as *Fisher-Price* and *Thomas & Friends*, *Power Wheels*, and *Fireman Sam*. As a leader in play and child development, *Fisher-Price*'s mission is to provide meaningful solutions for parents and enrich children's lives from birth to school readiness, helping families get the best possible start. *Thomas & Friends* is an award-winning preschool train brand franchise that brings meaningful life lessons of friendship and teamwork to kids through content, toys, live events, and other lifestyle categories.

Vehicles—including brands such as *Hot Wheels*, *Matchbox*, *CARS* (*Disney Pixar*), and *Mario Kart* (*Nintendo*). In production for over 50 years, *Hot Wheels* continues to push the limits of performance and design, and ignites the challenger spirit of kids, adults, and collectors. From die-cast vehicles, to tracks, playsets, and accessories, the Mattel vehicles portfolio has broad appeal that engages and excites kids of all ages.

Action Figures, Building Sets, Games, and Other—including brands such as *Masters of the Universe*, *MEGA*, *UNO*, *Toy Story* (*Disney Pixar*), *Jurassic World* (*NBCUniversal*), *WWE*, and *Star Wars* (*Disney*). From big blocks to small bricks, first builders to advanced collectors, *MEGA* creates building sets that encourage kids and adults to unlock their creative potential. America's number one game, *UNO* is the classic matching card game that is easy to learn and fast fun for everyone.

COVID-19 Update

The impact of the coronavirus disease ("COVID-19") and the actions taken by governments, businesses, and individuals in response to it have resulted in significant global economic disruption, including, but not limited to, temporary business closures, reduced retail traffic, volatility in financial markets, and restrictions on travel.

Strong consumer demand for toys during the first nine months of 2021 contributed to double digit year-over-year increases in net sales across all reportable segments and growth in each geographic region, despite COVID-19 disruption and local restrictions negatively impacting certain segments and locations. Mattel's first half of 2020 results and net sales were significantly and negatively impacted by COVID-19.

While COVID-19 has caused manufacturing and distribution disruption for Mattel and the manufacturers and distribution network it relies upon, to date, this disruption, including temporary plant and port closures, has not materially impacted Mattel's ability to meet demand for its products. To the extent COVID-19 causes further manufacturing and distribution disruption, particularly during seasonally-high periods of production and/or distribution, Mattel's ability to meet demand may be materially impacted.

Input cost inflation adversely affected Mattel's gross margin in the first nine months of the year due to the increased demand for raw materials and distribution services associated with the impact of COVID-19. Mattel has been able to mitigate the adverse impact with the benefits of fixed cost absorption, cost savings programs, and pricing actions. Mattel anticipates that input cost inflation will continue to have an adverse impact on Mattel's gross margin in the fourth quarter of 2021 as compared to the first half of 2021 and the prior year, as it did during the third quarter of 2021. To the extent input cost inflation becomes more widespread and/or significant than anticipated, it may have a material effect on Mattel's results of operations.

Prolonged disruption to Mattel's customers, supply chain, or other critical operations during the fourth quarter of 2021 would result in material adverse effects to Mattel's business and its liquidity. The future impact of COVID-19 on Mattel's results of operations, financial position, and cash flows remains uncertain at this time due to rapidly evolving circumstances. Mattel is closely monitoring the situation and actively managing its business as developments occur. Refer to Part I, Item 1A "Risk Factors" in the 2020 Annual Report on Form 10-K for further discussion regarding potential impacts of COVID-19 on Mattel's business.

The specific line items that have been materially affected by these impacts of COVID-19 are noted within "Results of Operations—Third Quarter" and "Results of Operations—First Nine Months" below. In addition to the impacts of COVID-19 discussed below, it is reasonably likely that the pandemic and its resulting effects could have other unforeseen consequences that affect Mattel's business.

Results of Operations—Third Quarter

Consolidated Results

The following table provides a summary of Mattel's consolidated results for the third quarter of 2021 and 2020:

	For the Three Months Ended					
	September 30, 2021		September 30, 2020		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	$ 1,762.3	100.0 %	$ 1,636.5	100.0 %	8 %	—
Gross profit	$ 842.5	47.8 %	$ 827.7	50.6 %	2 %	(280)
Advertising and promotion expenses	117.6	6.7 %	102.5	6.3 %	15 %	40
Other selling and administrative expenses	335.8	19.1 %	345.7	21.1 %	-3 %	(200)
Operating Income	389.1	22.1 %	379.5	23.2 %	3 %	(110)
Interest expense	52.1	3.0 %	50.4	3.1 %	3 %	(10)
Interest (income)	(0.8)	— %	(0.5)	— %	65 %	—
Other non-operating expense, net	3.9		1.3			
Income before income taxes	333.9	18.9 %	328.2	20.1 %	2 %	(120)
(Benefit) provision for income taxes	(456.8)		22.1			
Income from equity method investments	4.5		5.2			
Net Income	$ 795.1	45.1 %	$ 311.3	19.0 %	155 %	2,610

Sales

The following table provides a summary of Mattel's consolidated gross billings by categories, along with supplemental information by brand, for the third quarter of 2021 and 2020:

	For the Three Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Gross Billings by Categories				
Dolls	$ 719.5	$ 690.5	4 %	1 %
Infant, Toddler, and Preschool	406.9	408.8	— %	1 %
Vehicles	389.9	369.4	6 %	1 %
Action Figures, Building Sets, Games, and Other	446.4	354.5	26 %	1 %
Gross Billings	$ 1,962.7	$ 1,823.2	8 %	1 %
Sales Adjustments	(200.4)	(186.7)		
Net Sales	$ 1,762.3	$ 1,636.5	8 %	1 %
Supplemental Gross Billings Disclosure				
Gross Billings by Top 3 Power Brands				
Barbie	$ 555.2	$ 532.2	4 %	1 %
Hot Wheels	329.9	312.8	5 %	1 %
Fisher-Price and Thomas & Friends	383.7	387.6	-1 %	1 %
Other	693.9	590.5	18 %	2 %
Gross Billings	$ 1,962.7	$ 1,823.2	8 %	1 %

Gross billings were $1.96 billion in the third quarter of 2021, an increase of $139.5 million or 8%, as compared to $1.82 billion in the third quarter of 2020, with a favorable impact from changes in currency exchange rates of one percentage point. The increase in third quarter of 2021 gross billings was primarily due to higher billings of Action Figures, Building Sets, Games, and Other, Vehicles, and Dolls.

Dolls gross billings increased 4%, of which 3% was due to higher billings of *Barbie* products, driven by positive brand momentum and point of sale demand ("POS"), and 3% was due to initial billings of *Spirit* products. This was partially offset by lower billings of *Cave Club* products of 2%.

Infant, Toddler, and Preschool gross billings remained flat year-over-year, with lower billings of *Fisher-Price* and *Thomas & Friends* products offset by higher billings of *Power Wheels.*

Vehicles gross billings increased 6%, of which 5% was due to higher billings of *Hot Wheels* products, driven by positive brand momentum and POS, which benefited from in-store impulse shopping.

Action Figures, Building Sets, Games, and Other gross billings increased 26%, of which 10% was due to higher billings of *Jurassic World*, 9% was due to initial billings of *Masters of the Universe*, and 6% was due to higher billings of plush. This was partially offset by lower billings of card game products, including *UNO* of 4%.

Sales adjustments represent arrangements with Mattel's customers to provide sales incentives, support customer promotions, and provide allowances for returns and defective merchandise. Such programs are based primarily on customer purchases, customer performance of specified promotional activities, and other specified factors such as sales to consumers. Sales adjustments as a percentage of net sales was consistent at 11.4% for the third quarter of 2021 and 2020.

Cost of Sales

Cost of sales as a percentage of net sales was 52.2% in the third quarter of 2021, as compared to 49.4% in the third quarter of 2020. Cost of sales increased by $111.0 million, or 14%, to $919.8 million in the third quarter of 2021 from $808.7 million in the third quarter of 2020, as compared to an 8% increase in net sales in the third quarter of 2020. Within cost of sales, product and other costs increased by $96.2 million, or 14%, to $771.9 million in the third quarter of 2021 from $675.7 million in the third quarter of 2020; freight and logistics expenses increased by $4.1 million, or 5%, to $81.2 million in the third quarter of 2021 from $77.1 million in the third quarter of 2020; and royalty expenses increased by $10.7 million, or 19%, to $66.7 million in the third quarter of 2021 from $56.0 million in the third quarter of 2020.

Gross Margin

Gross margin decreased to 47.8% in the third quarter of 2021 from 50.6% in the third quarter of 2020. The decrease in gross margin was primarily due to cost inflation driven by higher raw material and freight costs, partially offset by pricing actions. Other negative factors, such as product mix and unfavorable foreign exchange, were largely offset by the favorable impact of fixed cost absorption and incremental realized savings from the cost savings programs.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily consist of: (i) media costs, which include the media, planning, and buying fees for television, print, and online advertisements, (ii) non-media costs, which include commercial and website production, merchandising, and promotional costs, (iii) retail advertising costs, which include consumer direct catalogs, newspaper inserts, fliers, and mailers and (iv) generic advertising costs, which include trade show costs. Advertising and promotion expenses as a percentage of net sales increased slightly to 6.7% in the third quarter of 2021, as compared to 6.3% in the third quarter of 2020 due to higher advertising and promotion spend. Advertising and promotion expenses increased $15.1 million, or 15%, to $117.6 million in the third quarter of 2021 from $102.5 million in the third quarter of 2020, due to higher media spend.

Other Selling and Administrative Expenses

Other selling and administrative expenses were $335.8 million, or 19.1% of net sales, in the third quarter of 2021, as compared to $345.7 million, or 21.1% of net sales, in the third quarter of 2020. The decrease in other selling and administrative expenses was primarily due to incremental realized savings from the cost savings programs and lower employee compensation costs, including the timing of incentive compensation expense, partially offset by Optimizing for Growth investments.

Interest Expense

Interest expense was $52.1 million for the third quarter of 2021, as compared to $50.4 million for the third quarter of 2020. The increase in interest expense was due to loss on extinguishment of debt of $18.5 million associated with the repayment of the remaining principal balance of 2025 Notes in the third quarter of 2021. This was substantially offset by the impact of the aggregate repayment of the 2025 Notes and lower interest expense resulting from the partial refinancing of the 2025 Notes.

(Benefit) Provision for Income Taxes

Mattel's provision for income taxes was a benefit of $456.8 million for the three months ended September 30, 2021 and provision for income taxes was an expense of $22.1 million for the three months ended September 30, 2020. During the three months ended September 30, 2021, Mattel recognized a net discrete tax benefit of $465.3 million primarily related to the release of valuation allowances on certain U.S. and foreign deferred tax assets, as well as income taxes recorded on a discrete basis in various jurisdictions, and reassessments of prior years' tax liabilities. During the three months ended September 30, 2020, Mattel recognized a net discrete tax expense of $1.7 million primarily related to income taxes recorded on a discrete basis in various jurisdictions and reassessments of prior years' tax liabilities.

The release of valuation allowances on certain U.S. and foreign deferred tax assets resulted in an increase to deferred income taxes recorded within other non-current assets. The increase in Mattel's income tax payable was due to income tax expense on pretax income in certain foreign jurisdictions.

Evaluating the need for and the amount of a valuation allowance for deferred tax assets often requires significant judgment and extensive analysis of all available evidence to determine whether it is more-likely-than-not that these assets will be realizable. Mattel routinely assesses the positive and negative evidence for this realizability, including the evaluation of sustained profitability and three years of cumulative pretax income for each tax jurisdiction. During the three and nine months ended September 30, 2021, Mattel continued to see improved and sustained profitability, which presents objective positive evidence for the realizability of certain deferred tax assets. As such, based on the overall analysis of the positive and negative evidence in each tax jurisdiction, in the third quarter of 2021, Mattel released the valuation allowances related to U.S. federal deferred tax assets and foreign deferred tax assets, except for certain tax attributes expected to expire before utilization. Valuation allowance releases in the third quarter of 2021 resulted in recognition of a portion of these deferred tax assets and a benefit to Mattel's provision for income taxes of 492.2 million.

Segment Results

North America Segment

The following table provides a summary of Mattel's net sales, segment income, and gross billings by categories, along with supplemental information by brand, for the North America segment for the third quarter of 2021 and 2020:

	For the Three Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Net Sales	$ 1,037.0	$ 926.6	12 %	— %
Segment Income	372.0	346.7	7 %	
Gross Billings by Categories				
Dolls	$ 349.6	$ 328.6	6 %	— %
Infant, Toddler, and Preschool	271.8	257.2	6 %	1 %
Vehicles	216.7	189.6	14 %	— %
Action Figures, Building Sets, Games, and Other	272.0	218.1	25 %	1 %
Gross Billings	$ 1,110.1	$ 993.5	12 %	1 %
Sales Adjustments	(73.1)	(66.9)		
Net Sales	$ 1,037.0	$ 926.6	12 %	— %
Supplemental Gross Billings Disclosure				
Gross Billings by Top 3 Power Brands				
Barbie	$ 308.8	$ 297.6	4 %	— %
Hot Wheels	181.1	156.5	16 %	1 %
Fisher-Price and Thomas & Friends	252.4	241.6	4 %	— %
Other	367.8	297.8	23 %	— %
Gross Billings	$ 1,110.1	$ 993.5	12 %	1 %

Gross billings for the North America segment were $1.11 billion in the third quarter of 2021, an increase of $116.6 million, or 12%, as compared to $993.5 million in the third quarter of 2020, with a favorable impact from changes in currency exchange rates of one percentage point. The increase in the North America segment gross billings was due to higher billings across all categories.

Dolls gross billings increased 6%, of which 3% was due to higher billings of *Barbie* products and 3% was due to initial billings of *Spirit* products.

Infant, Toddler, and Preschool gross billings increased 6%, of which 4% was due to higher billings of *Fisher-Price* and *Thomas & Friends* products and 2% was due to higher billings of *Power Wheels* products.

Vehicles gross billings increased 14%, of which 13% was due to higher billings of *Hot Wheels* products.

Action Figures, Building Sets, Games, and Other gross billings increased 25%, of which 12% was due to higher billings of *Jurassic World*, 8% was due to initial billings of *Masters of the Universe*, and 7% was due to higher billings from plush. This was partially offset by lower billings of card game products, including *UNO*, of 6%.

Sales adjustments as a percentage of net sales was relatively consistent at 7.0% for the third quarter of 2021, as compared to 7.2% for the third quarter of 2020.

Cost of sales increased 16% in the third quarter of 2021, as compared to a 12% increase in net sales, primarily due to higher product and other costs. Gross margin in the third quarter of 2021 decreased, due to cost inflation driven by higher raw material and freight costs partially offset by incremental pricing actions. Factors such as favorable impact of incremental realized savings from the cost savings programs and fixed cost absorption, were largely offset by other negative factors, including product mix. North America segment income was $372.0 million in the third quarter of 2021, as compared to segment income of $346.7 million in the third quarter of 2020; the improvement was due to higher gross profit, partially offset by higher advertising and promotion expenses and higher selling and administrative expenses.

International Segment

The following table provides a summary of Mattel's net sales, segment income, and gross billings by categories, along with supplemental information by brand, for the International segment for the third quarter of 2021 and 2020:

	For the Three Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Net Sales	$ 673.3	$ 658.4	2 %	2 %
Segment Income	150.6	186.4	-19 %	
Gross Billings by Categories				
Dolls	$ 316.4	$ 308.2	3 %	2 %
Infant, Toddler, and Preschool	135.1	151.6	-11 %	2 %
Vehicles	173.2	179.8	-4 %	1 %
Action Figures, Building Sets, Games, and Other	174.4	136.4	28 %	3 %
Gross Billings	$ 799.0	$ 775.9	3 %	2 %
Sales Adjustments	(125.7)	(117.5)		
Net Sales	$ 673.3	$ 658.4	2 %	2 %
Supplemental Gross Billings Disclosure				
Gross Billings by Top 3 Power Brands				
Barbie	$ 246.4	$ 234.6	5 %	2 %
Hot Wheels	148.8	156.3	-5 %	2 %
Fisher-Price and Thomas & Friends	131.3	146.1	-10 %	2 %
Other	272.5	238.9	14 %	3 %
Gross Billings	$ 799.0	$ 775.9	3 %	2 %

Gross billings for the International segment were $799.0 million in the third quarter of 2021, an increase of $23.1 million, or 3%, as compared to $775.9 million in the third quarter of 2020, with a favorable impact from changes in currency exchange rates of two percentage points. The increase in the International segment gross billings was primarily due to higher billings of Action Figures, Building Sets, Games, and Other, partially offset by lower billings of Infant, Toddler, and Preschool.

Dolls gross billings increased 3%, of which 4% was due to higher billings of *Barbie* products and 3% was due to initial billings of *Spirit* products. This was partially offset by lower billings of *Cave Club* products of 4%.

Infant, Toddler, and Preschool gross billings decreased 11%, of which 10% was due to lower billings of *Fisher-Price* and *Thomas & Friends* products, primarily driven by lower billings of infant and newborn products.

Vehicles gross billings decreased 4%, of which 5% was due to lower billings of *Hot Wheels* products.

Action Figures, Building Sets, Games, and Other gross billings increased 28% of which 10% was due to initial billings of *Masters of the Universe*, 8% was due to higher billings from *Jurassic World*, and 6% was due to higher billings from plush.

Sales adjustments as a percentage of net sales was relatively consistent at 18.7% for the third quarter of 2021, as compared to 17.9% for the third quarter of 2020.

Cost of sales increased 14% in the third quarter of 2021, as compared to a 2% increase in net sales, primarily due to higher product and other costs. Gross margin in the third quarter of 2021 decreased, primarily due to cost inflation partially offset by pricing actions. Negative factors, such as unfavorable foreign exchange and product mix were largely offset by other factors including incremental realized savings from the cost savings programs. International segment income was $150.6 million in the third quarter of 2021, as compared to a segment income of $186.4 million in the third quarter of 2020; the decrease was primarily due to lower gross profit.

American Girl Segment

The following table provides a summary of Mattel's net sales, segment loss, and gross billings for the American Girl segment for the third quarter of 2021 and 2020:

	For the Three Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Net Sales	$ 52.0	$ 51.4	1 %	— %
Segment Loss	(6.5)	(9.3)		— %
American Girl Segment				
Total Gross Billings	53.6	53.7	— %	— %
Sales Adjustments	(1.6)	(2.3)		
Total Net Sales	$ 52.0	$ 51.4	1 %	— %

Gross billings for the American Girl segment were relatively flat at $53.6 million in the third quarter of 2021, as compared to $53.7 million in the third quarter of 2020, primarily due to lower billings in the proprietary direct-to-consumer channel and non-proprietary external distribution channels. This was partially offset by higher billings in proprietary retail channels, which were impacted in the third quarter of 2020 by retail store closures due to the impact of COVID-19.

Sales adjustments as a percentage of net sales was 3.1% for the third quarter of 2021, as compared to 4.5% for the third quarter of 2020, due to lower wholesale returns.

Cost of sales remained flat year-over-year, as compared to a 1% increase in net sales, due to higher product and other costs offset by lower freight and logistics expenses. Gross margin in the third quarter of 2021 was flat, primarily due to product mix offset by input cost inflation. American Girl segment loss was $6.5 million in the third quarter of 2021, as compared to segment loss of $9.3 million in the third quarter of 2020. This improvement was primarily due to lower selling and administrative expenses, partially offset by higher advertising and promotion expenses.

Results of Operations—First Nine Months

Consolidated Results

The following table provides a summary of Mattel's consolidated results for the first nine months of 2021 and 2020:

	For the Nine Months Ended					
	September 30, 2021		September 30, 2020		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	$ 3,662.9	100.0 %	$ 2,962.7	100.0 %	24 %	—
Gross profit	$ 1,742.4	47.6 %	$ 1,406.9	47.5 %	24 %	10
Advertising and promotion expenses	280.1	7.6 %	239.0	8.1 %	17 %	(50)
Other selling and administrative expenses	990.2	27.0 %	981.2	33.1 %	1 %	(610)
Operating income	472.1	12.9 %	186.7	6.3 %	153 %	660
Interest expense	220.7	6.0 %	149.0	5.0 %	48 %	100
Interest (income)	(2.2)	-0.1 %	(3.6)	-0.1 %	-39 %	—
Other non-operating expense, net	3.3		7.0			
Income before income taxes	250.2	6.8 %	34.2	1.2 %	632 %	560
(Benefit) provision for income taxes	(415.8)		46.8			
Income from equity method investments	11.1		7.1			
Net Income (Loss)	$ 677.2	18.5 %	$ (5.5)	-0.2 %	n/m	1,870

n/m - Not Meaningful

Sales

The following table provides a summary of Mattel's consolidated gross billings by categories, along with supplemental information by brand, for the first nine months of 2021 and 2020:

	For the Nine Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Gross Billings by Categories				
Dolls	$ 1,495.5	$ 1,177.4	27 %	2 %
Infant, Toddler, and Preschool	819.4	749.0	9 %	1 %
Vehicles	871.6	713.7	22 %	2 %
Action Figures, Building Sets, Games, and Other	903.7	667.6	35 %	2 %
Gross Billings	$ 4,090.3	$ 3,307.7	24 %	2 %
Sales Adjustments	(427.4)	(345.0)		
Net Sales	$ 3,662.9	$ 2,962.7	24 %	2 %
Supplemental Gross Billings Disclosure				
Gross Billings by Top 3 Power Brands				
Barbie	$ 1,122.7	$ 879.0	28 %	2 %
Hot Wheels	741.9	607.9	22 %	2 %
Fisher-Price and Thomas & Friends	763.0	692.7	10 %	1 %
Other	1,462.6	1,128.1	30 %	2 %
Gross Billings	$ 4,090.3	$ 3,307.7	24 %	2 %

Gross billings were $4.09 billion in the first nine months of 2021, an increase of $782.6 million or 24%, as compared to $3.31 billion in the first nine months of 2020, with a favorable impact from changes in currency exchange rates of two percentage points. The increase in gross billings for the first nine months of 2021 was due to higher billings across all categories.

Dolls gross billings increased 27%, of which 21% was due to higher billings of *Barbie* products, primarily driven by positive brand momentum and POS, with 3% due to initial billings of *Spirit* products.

Infant, Toddler, and Preschool gross billings increased 9%, which was due to higher billings of *Fisher-Price* and *Thomas & Friends*, primarily driven by higher billings of infant and newborn products.

Vehicles gross billings increased 22%, of which 19% was due to higher billings of *Hot Wheels* products, driven by positive brand momentum and POS.

Action Figures, Building Sets, Games, and Other gross billings increased 35% due to higher billings of the following products: 13% from *Jurassic World*, 11% from initial billings of *Masters of the Universe*, 7% from plush, and 5% from *MEGA*.

Sales adjustments represent arrangements with Mattel's customers to provide sales incentives, support customer promotions, and provide allowances for returns and defective merchandise. Such programs are based primarily on customer purchases, customer performance of specified promotional activities, and other specified factors such as sales to consumers. Sales adjustments as a percentage of net sales was relatively consistent at 11.7% for the first nine months of 2021 as compared to 11.6% for the first nine months of 2020.

Cost of Sales

Cost of sales as a percentage of net sales was 52.4% in the first nine months of 2021, as compared to 52.5% in the first nine months of 2020. Cost of sales increased by $364.7 million, or 23%, to $1.9 billion in the first nine months of 2021 from $1.6 billion in the first nine months of 2020, as compared to a 24% increase in net sales. Within cost of sales, product and other costs increased by $314.9 million, or 25%, to $1.6 billion in the first nine months of 2021 from $1.3 billion in the first nine months of 2020; freight and logistics expenses increased by $28.2 million, or 17%, to $195.8 million in the first nine months of 2021 from $167.6 million in the first nine months of 2020; and royalty expense increased by $21.6 million, or 20%, to $132.0 million in the first nine months of 2021 from $110.3 million in the first nine months of 2020.

Gross Margin

Gross margin increased to 47.6% in the first nine months of 2021 from 47.5% in the first nine months of 2020. The increase in gross margin was primarily due to the favorable impact of fixed cost absorption and the incremental realized savings from the cost savings programs, substantially offset by cost inflation due to higher raw material and inbound freight costs.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily consist of: (i) media costs, which include the media, planning, and buying fees for television, print, and online advertisements; (ii) non-media costs, which include commercial and website production, merchandising, and promotional costs; (iii) retail advertising costs, which include consumer direct catalogs, newspaper inserts, fliers, and mailers; and (iv) generic advertising costs, which include trade show costs. Advertising and promotion expenses as a percentage of net sales decreased to 7.6% in the first nine months of 2021 from 8.1% in the first nine months of 2020 driven by a 24% increase in net sales as compared to an increase in advertising and promotion expense of $41.1 million, or 17%. The increase in advertising and promotion expense to $280.1 million in the first nine months of 2021 from $239.0 million in the first nine months of 2020 was due to higher media spend.

Other Selling and Administrative Expenses

Other selling and administrative expenses were $990.2 million, or 27.0% of net sales, in the first nine months of 2021, as compared to $981.2 million, or 33.1% of net sales, in the first nine months of 2020. The increase in other selling and administrative expenses was primarily due to higher employee compensation costs, including comparisons to cost-savings actions taken in the prior year in response to COVID-19, partially offset by incremental realized savings from the cost savings programs.

Interest Expense

Interest expense was $220.7 million in the first nine months of 2021, as compared to $149.0 million in the first nine months of 2020. The increase in interest expense was due to a loss on extinguishment of $101.7 million as a result of the redemption of the 2017/2018 Senior Notes due December 2025 in the first nine months of 2021. This was partially offset by lower interest expense in the first nine months of 2021 due to the impact of the aggregate repayment of the remaining 2025 Notes and a lower interest rate associated with the partial refinancing of the 2025 Notes.

(Benefit) Provision for Income Taxes

Mattel's provision for income taxes was a benefit of $415.8 million for the nine months ended September 30, 2021 and provision for income taxes was an expense of $46.8 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021, Mattel recognized a net discrete tax benefit of $445.8 million primarily related to the release of valuation allowances on certain U.S. and foreign deferred tax assets, as well as income taxes recorded on a discrete basis in various jurisdictions, and reassessments of prior years' tax liabilities. During the nine months ended September 30, 2020, Mattel recognized a net discrete tax expense of $11.4 million primarily related to income taxes recorded on a discrete basis in various jurisdictions and reassessments of prior year's tax liabilities.

Segment Results

North America Segment

The following table provides a summary of Mattel's net sales, segment income, and gross billings by categories, along with supplemental information by brand, for the North America segment for the first nine months of 2021 and 2020:

	For the Nine Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Net Sales	$ 2,077.5	$ 1,647.1	26 %	— %
Segment Income	646.5	445.4	45 %	
Gross Billings by Categories				
Dolls	$ 698.4	$ 523.6	33 %	— %
Infant, Toddler, and Preschool	520.2	466.2	12 %	1 %
Vehicles	457.8	356.2	29 %	1 %
Action Figures, Building Sets, Games, and Other	543.3	414.8	31 %	— %
Gross Billings	2,219.7	1,760.8	26 %	— %
Sales Adjustments	(142.2)	(113.8)		
Net Sales	$ 2,077.5	$ 1,647.1	26 %	— %
Supplemental Gross Billings Disclosure				
Gross Billings by Top 3 Power Brands				
Barbie	$ 617.1	$ 477.7	29 %	— %
Hot Wheels	383.5	296.8	29 %	— %
Fisher-Price and Thomas & Friends	476.1	423.2	13 %	1 %
Other	743.0	563.2	32 %	1 %
Gross Billings	$ 2,219.7	$ 1,760.8	26 %	— %

Gross billings for the North America segment were $2.22 billion in the first nine months of 2021, an increase of $458.9 million, or 26%, as compared to $1.76 billion in the first nine months of 2020. The increase in the North America segment gross billings was due to higher billings across all categories.

Dolls gross billings increased 33%, of which 26% was due to higher billings of *Barbie* products and 4% was due to initial billings of *Spirit* products.

Infant, Toddler, and Preschool gross billings increased 12%, which was due to higher billings of *Fisher-Price* and *Thomas & Friends* products.

Vehicles gross billings increased 29%, of which 25% was due to higher billings of *Hot Wheels* products.

Action Figures, Building Sets, Games, and Other gross billings increased 31% due to higher billings of the following products: 13% from *Jurassic World*, 11% from initial billings of *Masters of the Universe*, 7% from *WWE*, 7% from plush, and 5% from *MEGA*. This was partially offset by lower billings of card games products, including *UNO* of 6%.

Sales adjustments as a percentage of net sales was relatively consistent at 6.8% for the first nine months of 2021, as compared to 6.9% for the first nine months of 2020.

Cost of sales increased 23% during the first nine months of 2021, as compared to a 26% increase in net sales, primarily due to higher product and other costs. Gross margin in the first nine months of 2021 increased primarily due to fixed cost absorption. Negative factors, such as input cost inflation due to higher raw material and freight costs were largely offset by other factors including the incremental realized savings from the cost savings programs. North America segment income was $646.5 million in the first nine months of 2021, as compared to segment income of $445.4 million in the first nine months of 2020; the improvement was primarily due to higher gross profit, partially offset by higher advertising and promotion expenses and higher selling and administrative expenses.

International Segment

The following table provides a summary of Mattel's net sales, segment income, and gross billings by categories, along with supplemental information by brand, for the International segment for the first nine months of 2021 and 2020:

	For the Nine Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Net Sales	$ 1,447.5	$ 1,198.8	21 %	4 %
Segment Income	237.6	155.0	53 %	
Gross Billings by Categories				
Dolls	$ 655.8	$ 532.9	23 %	3 %
Infant, Toddler, and Preschool	299.2	282.8	6 %	4 %
Vehicles	413.7	357.5	16 %	4 %
Action Figures, Building Sets, Games, and Other	360.4	252.7	43 %	6 %
Gross Billings	$ 1,729.1	$ 1,426.0	21 %	4 %
Sales Adjustments	(281.6)	(227.2)		
Net Sales	$ 1,447.5	$ 1,198.8	21 %	4 %
Supplemental Gross Billings Disclosure				
Gross Billings by Top 3 Power Brands				
Barbie	$ 505.6	$ 401.3	26 %	4 %
Hot Wheels	358.4	311.1	15 %	3 %
Fisher-Price and Thomas & Friends	286.9	269.5	6 %	3 %
Other	578.2	444.1	30 %	4 %
Gross Billings	$ 1,729.1	$ 1,426.0	21 %	4 %

Gross billings for the International segment were $1.73 billion in the first nine months of 2021, an increase of $303.2 million, or 21%, as compared to $1.43 billion in the first nine months of 2020, with a favorable impact from changes in currency exchange rates of four percentage points. The increase in the International segment gross billings was due to higher billings across all categories.

Dolls gross billings increased 23%, of which 20% was due to higher billings of *Barbie* products and 3% was due to initial billings of *Spirit* products.

Infant, Toddler, and Preschool gross billings increased 6%, which was due to higher billings of *Fisher-Price* and *Thomas & Friends* products.

Vehicles gross billings increased 16%, of which 13% was due to higher billings of *Hot Wheels* products.

Action Figures, Building Sets, Games, and Other gross billings increased 43% due to higher billings of the following products: 13% from initial billings of *Masters of the Universe*, 12% from *Jurassic World*, 6% from *MEGA*, and 5% from plush.

Sales adjustments as a percentage of net sales was relatively consistent at 19.5% for the first nine months of 2021, as compared to 18.9% for the first nine months of 2020.

Cost of sales increased 24% in the first nine months of 2021, as compared to a 21% increase in net sales, primarily due to higher product and other costs. Gross margin in the first nine months of 2021 decreased primarily due to cost inflation partially offset by pricing actions. Other negative factors, such as unfavorable foreign exchange and product mix were largely offset by incremental realized savings from the cost savings programs and favorable impact of fixed cost absorption. International segment income was $237.6 million in the first nine months of 2021, as compared to segment income of $155.0 million in the first nine months of 2020; the improvement was primarily due to higher net sales, partially offset by higher advertising and promotion expenses.

American Girl Segment

The following table provides a summary of Mattel's net sales, segment loss, and gross billings for the American Girl segment for the first nine months of 2021 and 2020:

	For the Nine Months Ended			
	September 30, 2021	September 30, 2020	% Change as Reported	Currency Exchange Rate Impact
	(In millions, except percentage information)			
Net Sales	$ 137.8	$ 116.8	18 %	— %
Segment Loss	(25.8)	(40.3)		
American Girl Segment				
Total Gross Billings	141.4	120.9	17 %	— %
Sales Adjustments	(3.6)	(4.1)		
Total Net Sales	$ 137.8	$ 116.8	18 %	— %

Gross billings for the American Girl segment was $141.4 million in the first nine months of 2021, an increase of $20.5 million, or 17%, as compared to $120.9 million in the first nine months of 2020. The increase in *American Girl* gross billings was due to higher billings in propriety retail channels.

Sales adjustments as a percentage of net sales decreased to 2.6% for the first nine months of 2021, as compared to 3.5% for the first nine months of 2020 due to lower allowances for wholesale returns.

Cost of sales increased 16% in the first nine months of 2021, as compared to a 18% increase in net sales, primarily due to higher product and other costs. Gross margin in the first nine months of 2021 increased slightly, primarily due to the incremental realized savings from the cost savings programs and favorable fixed cost absorption, substantially offset by product mix and input cost inflation. American Girl segment loss was $25.8 million in the first nine months of 2021, as compared to segment loss of $40.3 million in the first nine months of 2020; the improvement was primarily due to higher net sales and lower selling and administrative expenses.

Cost Savings Programs

Optimizing for Growth (formerly Capital Light)

On February 9, 2021, Mattel announced the Optimizing for Growth program, a multi-year cost savings program that integrates and expands upon the previously announced Capital Light program (the "Program"). Targeted annual gross cost savings from actions that are expected to be completed beginning 2021 through 2023 are $250 million. Of the $250 million in incremental targeted gross cost savings, approximately 50% is expected to benefit Cost of Sales, 40% to benefit Other Selling and Administrative Expenses, and 10% to benefit Advertising and Promotion Expense. Aggregate incremental cash expenditures associated with the Program are expected to be approximately $100 to $125 million.

Mattel estimates the aggregate cost of incremental actions for the Program to be as follows:

Optimizing for Growth - Incremental Actions	Estimate of Cost
Employee severance	$40 to $50 million
Real estate/supply chain optimization and other restructuring costs	$15 to $20 million
Asset impairments and other non-cash charges	$25 to $30 million
Total estimated severance and restructuring costs	**$80 to $100 million**
Information technology enhancements and other investments	$45 to $55 million
Total estimated incremental charges	**$125 to $155 million**

Cumulatively, in conjunction with previous actions taken under the Capital Light program, targeted annual gross cost savings for the Program are $325 million by 2023, with total expected cash expenditures of approximately $140 to $165 million, and total expected non-cash charges of $40 to $45 million. Of the $325 million in targeted gross cost savings, approximately 60% is expected to benefit Cost of Sales, 30% to benefit Other Selling and Administrative Expenses, and 10% to benefit Advertising and Promotion Expense.

In connection with the Program, Mattel has recorded severance and other restructuring costs in the following cost and expense categories within the consolidated statements of operations:

	For the Nine Months Ended	
	September 30, 2021	September 30, 2020
	(In millions)	
Cost of sales (a)	$ 1.9	$ 4.8
Other selling and administrative expenses (b)	26.4	6.4
	$ 28.3	$ 11.2

(a) Severance and other restructuring costs recorded within cost of sales in the consolidated statements of operations are included in segment income (loss) in Part 1, Item 1 "Note 22 to the Consolidated Financial Statements—Segment Information" of this Quarterly Report on Form 10-Q.

(b) Severance and other restructuring costs recorded within other selling and administrative expenses in the consolidated statements of operations are included in corporate and other expense in Part 1, Item 1"Note 22 to the Consolidated Financial Statements—Segment Information" of this Quarterly Report on Form 10-Q.

As of September 30, 2021, Mattel has recorded cumulative severance and other restructuring charges related to the Program of approximately $79 million, which include approximately $20 million of non-cash charges. Mattel realized cumulative cost savings (before severance, restructuring costs, and cost inflation) of approximately $144 million, primarily within gross profit, as of September 30, 2021 in connection with the Program.

During the three months ended March 31, 2021, in conjunction with the Program, Mattel completed the sale of a manufacturing plant based in Mexico, which included land and buildings, resulting in a pre-tax gain of $15.8 million.

Other Cost Savings Actions

During the first nine months of 2020, Mattel recorded severance charges of approximately $18 million, primarily related to actions taken to further streamline its organizational structure.

Liquidity and Capital Resources

Mattel's primary sources of liquidity are its domestic and foreign cash and equivalents balances, short-term borrowing facilities, including its $1.40 billion senior secured revolving credit facilities, and access to capital markets to fund its operations and obligations. Such obligations may include investing and financing activities such as capital expenditures and debt service. Of Mattel's $148.5 million in cash and equivalents at September 30, 2021, approximately $141.2 million was held by foreign subsidiaries.

Cash flows from operating activities could be negatively impacted by decreased demand for Mattel's products, which could result from factors such as, but not limited to, 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, but not limited to, global economic crises and tight credit environments, an inability to comply with its debt covenants and its senior secured revolving credit facilities covenants, or deterioration of Mattel's credit ratings. As discussed under Part I, Item 2 "Management’s Discussion and Analysis of Financial Condition and Results of Operations—COVID-19 Update" of this Quarterly Report on Form 10-Q, many of the aforementioned factors have been and may be adversely affected by COVID-19. However, based on Mattel’s current business plan and factors known to date, including the currently known impacts of COVID-19, it is expected that existing cash and equivalents, cash flows from operations, availability under the senior secured credit revolving facilities, and access to capital markets, will be sufficient to meet working capital and operating expenditure requirements for the next twelve months.

Current Market Conditions

Mattel is exposed to financial market risk resulting from changes in interest and foreign currency exchange rates.

Consistent with prior periods, Mattel intends to utilize its senior secured revolving credit facilities to meet its short-term liquidity needs. At September 30, 2021, Mattel had $128 million outstanding borrowings under the senior secured revolving credit facilities and approximately $10 million in outstanding letters of credit under the 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 Mattel's 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 their liquidity in order to mitigate Mattel's accounts receivable collectability risks, and customer terms and credit limits are adjusted, if necessary. Additionally, Mattel uses a variety of financial arrangements to ensure collectability 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.

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.

Mattel's business has been impacted by COVID-19. Refer to Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations—COVID-19 Update" for further discussion regarding the impact and potential impacts of COVID-19 on Mattel's business.

Cash Flow Activities

Cash flows used for operating activities were $255.9 million in the first nine months of 2021, as compared to $442.0 million in the first nine months of 2020. The decrease in cash flows used for operating activities was primarily due to higher net income, excluding the impact of non-cash items.

Cash flows used for investing activities were $71.5 million in the first nine months of 2021, as compared to $107.1 million in the first nine months of 2020. The decrease in cash flows used for investing activities was primarily due to proceeds from the disposal of assets and a business of $43.5 million in the first nine months of 2021 and lower payments for foreign currency forward exchange contracts in the first nine months of 2021, partially offset by an increase in capital expenditures in the first nine months of 2021.

Cash flows used for financing activities were $279.9 million in the first nine months of 2021, as compared to cash flows provided by financing activities of $393.4 million in the first nine months of 2020. The change in cash flows from financing activities was primarily due to the redemption of the 2017/2018 Senior Notes due December 2025 in the first nine months of 2021 and lower net proceeds from short-term borrowings as compared to the first nine months of 2020.

Seasonal Financing

See Part I, 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 $613.7 million to $148.5 million at September 30, 2021, as compared to $762.2 million at December 31, 2020, due to seasonal working capital usage, the aggregate repayment of the remaining principal balance of the 2015 Notes and the costs associated with the partial refinancing of the 2025 Notes, and capital expenditures. The decreases were partially offset by net income excluding the impact of the release of valuation allowances on certain U.S. and foreign deferred tax assets and proceeds from the disposal of assets and a business during the first nine months of 2021. Mattel's cash and equivalents decreased $303.7 million to $148.5 million at September 30, 2021, as compared to $452.2 million at September 30, 2020, primarily due to the aggregate repayment of the remaining principal balance of the 2025 Notes and the costs associated with the partial refinancing of the 2025 Notes in the first nine months of 2021, the net repayment of short-term borrowings, and capital expenditures, partially offset by cash flows from operating activities in the trailing twelve months.

Accounts receivable increased $403.9 million to $1.4 billion at September 30, 2021, as compared to $1.03 billion at December 31, 2020, primarily due to the seasonality of Mattel's business and higher net sales in the third quarter of 2021 as compared to the fourth quarter of 2020. Accounts receivable increased $111.8 million to $1.4 billion at September 30, 2021, as compared to $1.3 billion at September 30, 2020, primarily due to higher net sales in the third quarter of 2021.

Inventory increased $326.0 million to $854.5 million at September 30, 2021, as compared to $528.5 million at December 31, 2020, primarily due to cost inflation due to higher raw material cost and seasonal inventory build. Inventory increased $175.0 million to $854.5 million at September 30, 2021, as compared to $679.5 million at September 30, 2020, primarily due to cost inflation due to higher raw material cost and higher inventory production levels.

Prepaid expenses and other current assets increased $102.2 million to $274.3 million at September 30, 2021, as compared to $172.1 million at December 31, 2020, due to receivables from insurers related to a legal settlement. Prepaid expenses and other current assets increased $116.3 million to $274.3 million at September 30, 2021, as compared to $157.9 million at September 30, 2020, due to receivables from insurers related to a legal settlement.

Accounts payable and accrued liabilities increased $129.9 million to $1.46 billion at September 30, 2021, as compared to $1.33 billion at December 31, 2020, due to an accrued legal settlement and increased payables associated with cost inflation. Accounts payable and accrued liabilities increased $229.0 million to $1.46 billion at September 30, 2021, as compared to $1.23 billion at September 30, 2020, due to increased payables associated with cost inflation and an accrued legal settlement.

Mattel had $128.0 million, $400.0 million, and $1.0 million of short-term borrowings outstanding at September 30, 2021, September 30, 2020, and December 31, 2020, respectively. Mattel elevated its borrowings under the senior secured revolving credit facilities during 2020 in light of uncertainties surrounding the impact of COVID-19.

A summary of Mattel's capitalization is as follows:

	September 30, 2021		September 30, 2020		December 31, 2020	
	(In millions, except percentage information)					
Cash and equivalents	$ 148.5		$ 452.2		$ 762.2	
Short-term borrowings	128.0		400.0		1.0	
2010 Senior Notes due October 2040	250.0		250.0		250.0	
2011 Senior Notes due November 2041	300.0		300.0		300.0	
2013 Senior Notes due March 2023	250.0		250.0		250.0	
2017/2018 Senior Notes due December 2025	—		1,500.0		1,500.0	
2019 Senior Notes due December 2027	600.0		600.0		600.0	
2021 Senior Notes due April 2026	600.0		—		—	
2021 Senior Notes due April 2029	600.0		—		—	
Debt issuance costs and debt discount	(30.2)		(47.2)		(45.3)	
Total debt	2,697.8	67 %	3,252.8	89 %	2,855.7	82 %
Stockholders' equity	1,313.7	33	419.8	11	610.1	18
Total capitalization (debt plus equity)	$ 4,011.5	100 %	$ 3,672.6	100 %	$ 3,465.8	100 %

On March 19, 2021, Mattel used the net proceeds from the issuance of $600.0 million aggregate principal amount of 3.375% Senior Notes due 2026 and $600.0 million aggregate principal amount of 3.750% Senior Notes due 2029, together with cash on hand, to redeem and retire $1.225 billion in aggregate principal amount of Mattel's outstanding 2017/2018 Senior Notes due December 2025 (the "2025 Notes") and pay related prepayment premiums and transaction fees and expenses.

On July 1, 2021, Mattel redeemed the remaining outstanding $275 million aggregate principal amount of the 2025 Notes, at a redemption price equal to 105.063% of the principal amount. As a result of this redemption, Mattel incurred a loss on extinguishment of $18.5 million, comprised of $14.0 million of prepayment premium costs and a $4.5 million write-off of the unamortized debt issuance costs, which was recorded within interest expense in the consolidated statements of operations.

Total debt, including short-term borrowings, was $2.70 billion at September 30, 2021, as compared to $2.86 billion at December 31, 2020. The decrease was due to the aggregate repayments of the remaining 2025 Notes, partially offset by the short-term borrowings of $128.0 million outstanding at September 30, 2021.

Total debt, including short-term borrowings, was $2.70 billion at September 30, 2021, as compared to $3.25 billion at September 30, 2020. The decrease was due to the aggregate repayments of the remaining 2025 Notes and net reduction of short-term borrowings of $272.0 million.

Stockholders' equity increased $703.5 million to $1.31 billion at September 30, 2021, as compared to $610.1 million at December 31, 2020, primarily due to the net income for the first nine months of 2021. Stockholders' equity increased $893.9 million to $1.31 billion at September 30, 2021, as compared to $419.8 million at September 30, 2020, primarily due to net income for the trailing twelve months.

Litigation

See Part I, Item 1 "Financial Statements—Note 21 to the Consolidated Financial Statements—Contingencies" of this Quarterly Report on Form 10-Q.

Application of Critical Accounting Policies and Estimates

An update to a critical accounting estimate involving Mattel's income taxes is described in Part I, Item 1 "Financial Statements—Note 20 to the Consolidated Financial Statements—Income Taxes". With the exception of this topic, Mattel's critical accounting policies and estimates are included in the 2020 Annual Report on Form 10-K and did not materially change during the first nine months of 2021.

New Accounting Pronouncements

See Part I, Item 1 "Financial Statements—Note 23 to the Consolidated Financial Statements—New Accounting Pronouncements" of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measure

To supplement the financial results presented in accordance with U.S. GAAP, Mattel presents a non-GAAP financial measure within the meaning of Regulation G promulgated by the SEC. The non-GAAP financial measure that Mattel presents is currency exchange rate impact. Mattel uses this measure 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 this non-GAAP financial measure provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of Mattel's results. This measure is not, and should not be viewed as, a substitute 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.

Key Performance Indicator

Gross billings represent amounts invoiced to customers. It does not include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross billings as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business. Changes in gross billings are discussed because, while Mattel records the details of sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with categories, brands, and individual products.

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, Mexican peso, Australian dollar, British pound sterling, Canadian dollar, Russian ruble, and Brazilian real were the primary transactions that caused foreign currency transaction exposure for Mattel during the first nine months of 2021. 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, 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 loss within stockholders' equity. Mattel's primary currency translation adjustments for the nine months ended September 30, 2021 were related to its net investments in entities having functional currencies denominated in the Mexican peso, Chilean peso, Turkish lira, British pound sterling, and the Euro.

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 would have impacted Mattel's third quarter net sales by approximately 0.4% and its third quarter net income per share by approximately $0.00 to $0.01.

United Kingdom Operations

During June 2016, the referendum by British voters to exit the EU ("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 EU began in March 2017. On January 29, 2020, the British Parliament approved a withdrawal agreement, and the United Kingdom ("U.K.") officially withdrew from the EU on January 31, 2020 and entered into a transition period that ended on December 31, 2020.

On December 24, 2020, the U.K. and EU agreed upon The EU-UK Trade and Cooperation Agreement. The agreement was provisionally applicable beginning January 1, 2021 and sets new rules and arrangements between the U.K. and EU in areas such as the trade of goods and services, intellectual property, transportation, and more. As a result of the agreement, the U.K. is no longer considered a member of the EU Single Market and Customs Union and exited all EU policies and trade agreements. The transfer of goods between the U.K. and EU is subject to additional inspections and checkpoints causing possible delays in the movement of inventory.

On April 27, 2021, the European Parliament gave final approval to the EU-UK Trade and Cooperation Agreement, and on April 29, 2021, the EU approved the conclusion of the agreement by way of a Council Decision. As a result, the agreements between the U.K. and the EU came into effect on May 1, 2021. This was the last official step in formalizing the new relationship between the U.K. and the EU. Although the agreement has mitigated a portion of the risk that arose due to the U.K.'s withdrawal from the EU, the overall impact on Mattel's operations is still being evaluated, including the volatility of the British pound sterling. Mattel's U.K. operations represented approximately 6% of Mattel's consolidated net sales for the nine months ended September 30, 2021.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of September 30, 2021, 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, as amended, 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 the Securities and Exchange Commission's rules and forms. Based on this evaluation, Ynon Kreiz, Mattel’s principal executive officer, and Anthony DiSilvestro, Mattel’s principal financial officer, concluded that these disclosure controls and procedures were effective to provide reasonable assurance as of September 30, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, Mattel’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The content of Part I, Item 1 "Financial Statements—Note 21 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 the 2020 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 third quarter of 2021, 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 third quarter of 2021:

Period	Total Number of Shares (or Units) Purchased (a)	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 (b)
July 1—31	554,912	$ 21.72	—	$ 203,016,273
August 1—31	1,133	21.63	—	203,016,273
September 1—30	9,084	19.15	—	203,016,273
Total	565,129	$ 21.68	—	$ 203,016,273

(a) The total number of shares purchased represents shares withheld from employees to satisfy minimum tax withholding obligations that occur upon settlement of equity awards. These shares were not purchased as part of a publicly announced repurchase plan or program.

(b) 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 September 30, 2021, 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.

		Incorporated by Reference			
Exhibit No.	**Exhibit Description**	**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	September 17, 2021
4.0	Specimen Stock Certificate with respect to Mattel, Inc.	10-Q	001-05647	4.0	August 3, 2007
31.0*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.1*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.0**	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104*	The cover page from Mattel's Quarterly Report on Form 10-Q for the three months ended September 30, 2021, formatted in Inline XBRL.				

\+ *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/ Yoon Hugh

Yoon Hugh
Senior Vice President and Corporate Controller (Duly Authorized Officer and Chief Accounting Officer)

Date: November 4, 2021

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: November 4, 2021

By: /s/ Ynon Kreiz

Ynon Kreiz
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.1

CERTIFICATION

I, Anthony DiSilvestro, 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: November 4, 2021

By: /s/ Anthony DiSilvestro

Anthony DiSilvestro
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 September 30, 2021 as filed with the Securities and Exchange Commission (the “Report”), Ynon Kreiz, Chief Executive Officer, and Anthony DiSilvestro, 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: November 4, 2021

By: /s/ Ynon Kreiz
Ynon Kreiz
Chairman and Chief Executive Officer

/s/ Anthony DiSilvestro
Anthony DiSilvestro
Chief Financial Officer