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

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

**Date of Report (Date of Earliest Event Reported):
October 23, 2019**

MATTEL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-05647
(Commission
File No.)

95-1567322
(I.R.S. Employer
Identification No.)

333 Continental Boulevard, El Segundo, California
(Address of principal executive offices)

90245-5012
(Zip Code)

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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On October 29, 2019, Mattel, Inc. (“Mattel” or the “Company”) issued a press release regarding its third quarter 2019 financial results, a copy of which is furnished as Exhibit 99.1 hereto. This exhibit is incorporated herein by reference.

Item 4.02(a) Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

On October 28, 2019, the Company, in consultation with the Audit Committee of its Board of Directors (the “Audit Committee”), concluded that the Company’s previously issued unaudited consolidated financial statements for the three and nine months ended September 30, 2017, which are included in the Company’s Quarterly Report on Form 10-Q for the three months ended September 30, 2017, and the unaudited consolidated financial information for the three months ended December 31, 2017, which is included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, should no longer be relied upon due to material misstatements. On October 29, 2019, the Company issued a press release regarding the reasons underlying these misstatements. A copy of this press release is furnished as Exhibit 99.2 hereto.

In addition, the Company has reassessed its conclusions regarding the effectiveness of its internal control over financial reporting as of December 31, 2018 in light of the misstatements described above. As a result, the Company has determined that certain material weaknesses existed as of December 31, 2018 and subsequently, and therefore the Company has concluded that its internal control over financial reporting as of December 31, 2018 was not effective and that Management’s Report on Internal Control over Financial Reporting as of December 31, 2018 should also no longer be relied upon.

As a result of the foregoing, the Company plans to amend its Annual Report on Form 10-K for the year ended December 31, 2018 to:

- restate the unaudited quarterly financial data for the three month periods ended September 30, 2017 and ended December 31, 2017 set forth in Note 17 - Quarterly Financial Information (Unaudited) (including restatement related information for the nine months ended September 30, 2017); and
- restate Management’s Report on Internal Control over Financial Reporting included under Item 8 and correspondingly, to restate the Evaluation of Disclosure Controls and Procedures included under Item 9A.

In addition, the Company will revise its previously issued 2018, 2017 and 2016 annual financial statements, as well as the financial information of certain relevant unaudited interim periods within 2018 and 2017 to correct for other immaterial misstatements. Also, the unaudited interim financial statements for the three months ended March 31, 2019 and six months ended June 30, 2019 will be revised prospectively, to correct for other immaterial misstatements.

The Company has discussed these matters with its independent registered public accounting firm, PricewaterhouseCoopers LLP, who will also be reissuing its audit report to reflect an adverse opinion on the Company’s internal control over financial reporting as of December 31, 2018.

Item 5.02 Departure of Principal Officer or Named Executive Officer

On October 29, 2019, the Company issued a press release announcing that Joseph J. Euteneuer, Chief Financial Officer (“CFO”), will leave the Company after a transition period of up to six months. The Company is conducting a search for its next CFO. A copy of this press release is furnished as Exhibit 99.3 hereto. This exhibit is incorporated herein by reference. Mr. Euteneuer was informed of the transition plan on October 23, 2019.

* * *

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits: Press releases dated October 29, 2019, issued by Mattel, Inc.

Exhibit No.	Exhibit Description
99.1**	Press release dated October 29, 2019.
99.2**	Press release dated October 29, 2019.
99.3**	Press release dated October 29, 2019.
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document)

** Furnished herewith

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 hereunto duly authorized.

MATTEL, INC.

Date: October 29, 2019

By: /s/ Robert Normile
Name: Robert Normile
Title: Executive Vice President,
Chief Legal Officer and Secretary

MATTEL REPORTS THIRD QUARTER 2019 FINANCIAL RESULTS

- **Third quarter Net Sales of \$1,481.6 million, up 3% as reported, and up 4% in constant currency, versus prior year.**
 - **Gross Sales of \$1,656.9 million, up 3% as reported and up 4% in constant currency.**
 - **Dolls category Gross Sales up 5% as reported, and up 7% in constant currency; Barbie® Gross Sales up 10% as reported, and up 12% in constant currency.**
 - **Infant, Toddler and Preschool category Gross Sales down 11% as reported, and down 10% in constant currency; Fisher-Price® and Thomas & Friends® Gross Sales down 3% as reported, and down 2% in constant currency.**
 - **Vehicles category Gross Sales up 13% as reported, and up 15% in constant currency; Hot Wheels® Gross Sales up 25% as reported, and up 27% in constant currency.**
 - **Action Figures, Building Sets and Games categories combined Gross Sales up 12% as reported, and up 13% in constant currency.**
 - **Structural Simplification run-rate savings of \$826 million, exceeding target of \$650 million exiting 2019; expect to exceed \$854 million of run-rate savings by the end of 2019.**
 - **Reported Gross Margin of 46.3%, an improvement of 370 basis points; Adjusted Gross Margin of 46.9%, an improvement of 390 basis points.**
 - **Reported Operating Income of \$150.1 million, an improvement of \$28.2 million or 23%; Adjusted Operating Income of \$173.7 million, an improvement of \$20.7 million or 14%.**
 - **Reported Earnings Per Share of \$0.20, an improvement of \$0.18; Adjusted Earnings Per Share of \$0.26, an improvement of \$0.08.**
 - **For the nine months ended September 30, Cash Flows Used for Operating Activities improved \$218 million.**
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EL SEGUNDO, California, October 29, 2019 – Mattel, Inc. (NASDAQ: MAT) today reported third quarter 2019 financial results.

Ynon Kreiz, Chairman and CEO, Mattel said: “Our third quarter performance demonstrates the continued momentum of our multi-year turnaround and consistent progress in transforming Mattel into an IP-driven, high-performing toy company. We are executing very well on our strategy to restore profitability, delivering the fifth consecutive quarter where we achieved

improvements in Reported Operating Income, EBITDA, gross margin and EPS. We are starting to see positive revenue trends with growth for the second quarter in a row as reported, and for the third straight quarter in constant currency. And we continue to make meaningful progress in laying the groundwork to capture the full value of our IP. We are encouraged by this momentum, as we remain focused on execution and the creation of long-term shareholder value.”

Joseph Euteneuer, CFO, Mattel said: “Our results demonstrate meaningful progress across all of our financial metrics. The improvement was driven by revenue growth and Structural Simplification savings. The company’s great performance in the third quarter and year-to-date, along with our ongoing consistent execution, will allow us to continue to drive value on a going forward basis.”

For the third quarter, Net Sales were up 3% as reported, and up 4% in constant currency, versus the prior year’s third quarter. Gross Sales were up 3% as reported, and up 4% in constant currency. Reported Operating Income was \$150.1 million, an improvement of \$28.2 million, and Adjusted Operating Income was \$173.7 million, an improvement of \$20.7 million. Reported Earnings Per Share was \$0.20, an improvement of \$0.18, and Adjusted Earnings Per Share was \$0.26, an improvement of \$0.08.

For the first nine months of the year, Net Sales were up 1% as reported, and up 4% in constant currency, versus the prior year’s first nine months. Gross Sales were up 1% as reported, and up 4% in constant currency. Reported Operating Loss was \$28.3 million, an improvement of \$311.6 million, and Adjusted Operating Income was \$46.9 million, an improvement of \$271.5 million. Reported Loss Per Share was \$0.62, an improvement of \$0.95, and Adjusted Loss Per Share was \$0.41, an improvement of \$0.77.

Financial Overview

For the third quarter, Net Sales in the North America segment were flat as reported and in constant currency, versus the prior year’s third quarter.

Gross Sales in the North America segment decreased 1% as reported, and in constant currency, primarily driven by a decline in Infant, Toddler and Preschool (including Fisher-Price Friends and Power Wheels®). This was partially offset by growth in Vehicles (including Hot Wheels partially offset by lower sales of Jurassic World® and CARS® vehicles), and Dolls (including Barbie).

Net Sales in the International segment increased 10% as reported, and 14% in constant currency, versus the prior year’s third quarter.

Gross Sales in the International segment increased 10% as reported and 13% in constant currency, driven by growth in Dolls (including Barbie, Polly Pocket® and the launch of BTS partially offset by owned brands), Vehicles (including Hot Wheels partially offset by lower sales of Jurassic World and CARS vehicles) and Action Figures, Building Sets and Games (including Toy Story 4). This growth was partially offset by a decline in Infant, Toddler and Preschool (including Fisher-Price Friends and Thomas & Friends).

Net Sales in the American Girl® segment decreased by 15% as reported, and in constant currency, versus the prior year’s third quarter. Gross Sales in the American Girl segment



decreased by 14% as reported, and in constant currency, primarily driven by lower sales in retail stores.

Reported Gross Margin increased to 46.3%, versus 42.6% in the prior year's third quarter, and Adjusted Gross Margin increased to 46.9%, versus 43.0%.

The increase in Reported and Adjusted Gross Margin was primarily driven by savings from our Structural Simplification program.

Reported Other Selling and Administrative Expenses increased by \$40.1 million, or 12%, to \$366.0 million, versus the prior year's third quarter. Adjusted Other Selling and Administrative Expenses increased by \$51.0 million, or 17%, to \$351.4 million. The increase in Reported and Adjusted Other Selling and Administrative Expenses were driven by a higher incentive compensation accrual due to improved year-to-date business performance and Toys "R" Us bad debt recoveries in the third quarter 2018. These increases were partially offset by savings from our Structural Simplification program.

For the nine months ended September 30, 2019, Cash Flows Used for Operating Activities decreased by \$218 million to \$514 million, versus the prior year first nine months, primarily driven by a lower net loss, excluding the impact of non-cash charges. Cash Flows Used for Investing Activities decreased by \$36 million to \$78 million, versus prior year, primarily driven by lower capital spending. Cash Flows Provided by Financing Activities and Other increased by \$240 million to \$216 million, versus prior year, primarily driven by net repayments of long-term borrowings of \$274 million in the first nine months of 2018, partially offset by lower net proceeds from short-term borrowings of \$49 million.

Sales by Categories

For the third quarter, Worldwide Gross Sales for Dolls were \$567.6 million, up 5% as reported, and up 7% in constant currency, versus the prior year's third quarter, driven by growth in Barbie partially offset by a decline in American Girl.

Worldwide Gross Sales for Infant, Toddler and Preschool were \$431.0 million, down 11% as reported, and down 10% in constant currency, versus the prior year's third quarter, driven by declines in Fisher-Price Friends and Power Wheels.

Worldwide Gross Sales for Vehicles were \$346.9 million, up 13% as reported, and up 15% in constant currency, versus the prior year's third quarter, driven by growth in Hot Wheels partially offset by a decline in CARS and Jurassic World vehicles.

Worldwide Gross Sales for Action Figures, Building Sets and Games were \$311.4 million, up 12% as reported, and up 13% in constant currency, versus the prior year's third quarter, driven by Toy Story 4 and MEGA partially offset by Jurassic World.

Conference Call and Live Webcast

At 5:00 p.m. (Eastern Time) today, Mattel will host a conference call with investors and financial analysts to discuss its 2019 third quarter financial results. The conference call will be webcast on Mattel's Investor Relations website, <https://mattel.gcs-web.com/>. To listen to the live call, log on to the website at least 10 minutes early to register, download and install any necessary audio software. An archive of the webcast will be available on Mattel's Investor Relations website for

90 days and may be accessed beginning approximately two hours after the completion of the live call. A telephonic replay of the call will be available beginning at 8:30 p.m. Eastern time the evening of the call until Tuesday, November 5, 2019 and may be accessed by dialing +1-404-537-3406. The passcode is 7239237.

Forward-Looking Statements

This press release contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as “anticipates,” “expects,” “intends,” “plans,” “confident that” and “believes,” among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic and other information, and are subject to a number of significant risks and uncertainties. A variety of factors, many of which are beyond our control, could cause actual future results to differ materially from those projected in the forward-looking statements. Specific factors that might cause such a difference include, but are not limited to: (i) Mattel's ability to design, develop, produce, manufacture, source and ship products on a timely and cost-effective basis, as well as interest in and purchase of those products by retail customers and consumers in quantities and at prices that will be sufficient to profitably recover Mattel's costs; (ii) downturns in economic conditions affecting Mattel's markets which can negatively impact retail customers and consumers, and which can result in lower employment levels, lower consumer disposable income and spending, including lower spending on purchases of Mattel's products; (iii) other factors which can lower discretionary consumer spending, such as higher costs for fuel and food, drops in the value of homes or other consumer assets, and high levels of consumer debt; (iv) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (v) other economic and public health conditions or regulatory changes in the markets in which Mattel and its customers and suppliers operate, which could create delays or increase Mattel's costs, such as higher commodity prices, labor costs or transportation costs, or outbreaks of disease; (vi) currency fluctuations, including movements in foreign exchange rates, which can lower Mattel's net revenues and earnings, and significantly impact Mattel's costs; (vii) the concentration of Mattel's customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel's customers, including the bankruptcy and liquidation of Toys “R” Us, Inc., or changes in their purchasing or selling patterns; (viii) the future willingness of licensors of entertainment properties for which Mattel currently has licenses or would seek to have licenses in the future to license those products to Mattel; (ix) the inventory policies of Mattel's retail customers, including retailers' potential decisions to lower their inventories, even if it results in lost sales, as well as the concentration of Mattel's revenues in the second half of the year, which coupled with reliance by retailers on quick response inventory management techniques increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules; (x) the increased costs of developing more sophisticated digital and smart technology products, and the corresponding supply chain and design challenges associated with such products; (xi) work disruptions, which may impact Mattel's ability to manufacture or deliver product in a timely and cost-effective manner; (xii) the bankruptcy and liquidation of Toys “R” Us, Inc. or other of Mattel's significant retailers, or the general lack of success of one of Mattel's significant retailers which could negatively impact Mattel's revenues or bad debt exposure; (xiii) the impact of competition on revenues, margins and other aspects of Mattel's business, including the ability to offer products which consumers choose to buy instead of competitive products, the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees; (xiv) the risk of product recalls or product liability suits and costs associated with product safety regulations; (xv) changes in

laws or regulations in the United States and/or in other major markets, 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, third party actions or approvals and competition which could reduce demand for Mattel's products or delay or increase the cost of implementation of Mattel's programs or alter Mattel's actions and reduce actual results; (xviii) changes in financing markets or the inability of Mattel to obtain financing on attractive terms; (xix) the impact of litigation or arbitration decisions or settlement actions; (xx) uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; and (xxi) other risks and uncertainties as may be described in Mattel's periodic filings with the Securities and Exchange Commission, including the "Risk Factors" section of Mattel's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as well as in Mattel's other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so except as required by law.

Non-GAAP Financial Measures

To supplement our financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures that Mattel uses in this earnings release include Gross Sales, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Other Selling and Administrative Expenses, Adjusted Operating Income (Loss), Adjusted Earnings (Loss) Per Share, earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA, and constant currency. Mattel uses these metrics to analyze its continuing operations and to monitor, assess and identify meaningful trends in its operating and financial performance, and each is discussed in detail below. Mattel believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of the Company's results. These measures are not, and should not be viewed as, substitutes for GAAP financial measures. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are attached to this earnings release as exhibits and to our earnings slide presentation as an appendix.

This earnings release and our earnings slide presentation are available on Mattel's Investor Relations website, <https://mattel.gcs-web.com/>, under the subheading "Financial Information – Earnings Releases."

Gross Sales

Gross Sales represent sales to customers, excluding the impact of Sales Adjustments. Net Sales, as reported, include the impact of Sales Adjustments, such as trade discounts and other allowances. Mattel presents changes in Gross Sales as a metric for comparing its aggregate, categorical, brand and geographic results to highlight significant trends in Mattel's business. Changes in Gross Sales are discussed because, while Mattel records the details of such Sales Adjustments in its financial accounting systems at the time of sale, such Sales Adjustments are generally not associated with brands and individual products, making Net Sales less meaningful. Since Sales Adjustments are determined by customer rather than at the brand level, Mattel believes that the disclosure of Gross Sales by categories and brand is useful

supplemental information for investors to be able to assess the performance of its underlying brands (e.g., Barbie) and also enhances their ability to compare sales trends over time.

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted Gross Profit and Adjusted Gross Margin represent reported Gross Profit and Reported Gross Margin, respectively, adjusted to exclude asset impairments, severance and restructuring expenses and the impact of the inclined sleeper product recalls. Adjusted Gross Margin represents Mattel's Adjusted Gross Profit, as a percentage of Net Sales. Adjusted Gross Profit and Adjusted Gross Margin are presented to provide additional perspective on underlying trends in Mattel's core Gross Profit and Gross Margin, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.

Adjusted Other Selling and Administrative Expenses

Adjusted Other Selling and Administrative Expenses represents Mattel's Reported Other Selling and Administrative Expenses, adjusted to exclude asset impairments, non-recurring executive compensation, severance and restructuring expenses, the impact of the inclined sleeper product recalls, and sale of assets, which are not part of Mattel's core business. Adjusted Other Selling and Administrative Expenses is presented to provide additional perspective on underlying trends in Mattel's core other selling and administrative expenses, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.

Adjusted Operating Income (Loss)

Adjusted Operating Income (Loss) represents Mattel's reported Operating Loss, adjusted to exclude the impact of asset impairments, non-recurring executive compensation, severance and restructuring expenses, sale of assets, and the impact of the inclined sleeper product recalls, which are not part of Mattel's core business. Adjusted Operating Income (Loss) is presented to provide additional perspective on underlying trends in Mattel's core operating results, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel's current business performance from one period to another.

Adjusted Earnings (Loss) Per Share

Adjusted Earnings (Loss) Per Share represents Mattel's Reported Diluted Earnings (Loss) Per Common Share, adjusted to exclude the impact of asset impairments, severance and restructuring expenses, and the impact of the inclined sleeper product recalls, which are not part of Mattel's core business. The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, adjusting for certain discrete tax items, and dividing by the reported weighted average number of common shares. Adjusted Earnings (Loss) Per Share is presented to provide additional perspective on underlying trends in Mattel's core business. Mattel believes it is useful supplemental information for investors to gauge and compare Mattel's current earnings results from one period to another. Adjusted Earnings (Loss) Per Share is a performance measure and should not be used as a measure of liquidity.

EBITDA and Adjusted EBITDA

EBITDA represents Mattel's Net Income (Loss), adjusted to exclude the impact of interest expense, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude the impact of asset impairments, share-based compensation, severance and restructuring expenses, sale of assets, and the impact of the inclined sleeper product recalls, which are not part of Mattel's core business. Mattel believes EBITDA and Adjusted EBITDA are useful supplemental information for investors to gauge and compare Mattel's business performance to other companies in our industry with similar capital structures. The presentation of Adjusted EBITDA differs from how we will calculate EBITDA for purposes of covenant compliance under the indenture governing our 6.75% senior notes due 2025 and the syndicated facility agreement governing our senior secured revolving credit facilities. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. As a result, we rely primarily on our GAAP results and use EBITDA and Adjusted EBITDA only supplementally.

Constant currency

Percentage changes in results expressed in constant currency are presented excluding the impact from changes in currency exchange rates. To present this information, Mattel calculates constant currency information by translating current period and prior period results for entities reporting in currencies other than the US dollar using consistent exchange rates. The 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. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from changes in currency exchange rates. Mattel analyzes constant currency results to provide additional perspective on changes in underlying trends in Mattel's operating performance. Mattel believes that the disclosure of the percentage change in constant currency is useful supplemental information for investors to be able to gauge Mattel's current business performance and the longer-term strength of its overall business since foreign currency changes could potentially mask underlying sales trends. The disclosure of the percentage change in constant currency enhances investor's ability to compare financial results from one period to another.

About Mattel

Mattel is a leading global children's entertainment company that specializes in design and production of quality toys and consumer products. We create innovative products and experiences that inspire, entertain and develop children through play. We engage consumers through our portfolio of iconic franchises, including Barbie®, Hot Wheels®, American Girl®, Fisher-Price®, Thomas & Friends® and MEGA®, as well as other popular brands that we own or license in partnership with global entertainment companies. Our offerings include film and television content, gaming, music and live events. We operate in 40 locations and sell products in more than 150 countries in collaboration with the world's leading retail and technology companies. Since its founding in 1945, Mattel is proud to be a trusted partner in exploring the



wonder of childhood and empowering kids to reach their full potential. Visit us online at www.mattel.com.

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MAT-FIN MAT-CORP

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)¹

(In millions, except per share and percentage information)	For the Three Months Ended September 30,						For the Nine Months Ended September 30,					
	2019		2018		Yr / Yr % Change as Reported	Yr / Yr % Change in Constant Currency	2019 ²		2018 ²		Yr / Yr % Change as Reported	Yr / Yr % Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
Net Sales	\$ 1,481.6		\$ 1,437.5		3%	4%	\$ 3,030.9		\$ 2,990.5		1%	4%
Cost of sales	795.1	53.7%	824.4	57.4%	-4%		1,763.3	58.2%	1,901.4	63.6%	-7%	
Gross Profit	686.4	46.3%	613.1	42.6%	12%	13%	1,267.6	41.8%	1,089.1	36.4%	16%	19%
Advertising and promotion expenses	170.4	11.5%	165.3	11.5%	3%		324.3	10.7%	318.5	10.7%	2%	
Other selling and administrative expenses	366.0	24.7%	325.9	22.7%	12%		971.6	32.1%	1,110.5	37.1%	-13%	
Operating Income (Loss)	150.1	10.1%	121.9	8.5%	23%	26%	(28.3)	-0.9%	(339.9)	-11.4%	-92%	96%
Interest expense	47.7	3.2%	48.2	3.4%	-1%		140.9	4.6%	132.7	4.4%	6%	
Interest (income)	(0.8)	-0.1%	(0.8)	-0.1%	4%		(4.6)	-0.2%	(5.6)	-0.2%	-18%	
Other non-operating expense, net	1.3		1.9				2.9		4.4			
Income (Loss) Before Income Taxes	102.0	6.9%	72.6	5.1%	40%	42%	(167.5)	-5.5%	(471.4)	-15.8%	-64%	67%
Provision for income taxes	31.4		66.3				46.2		71.6			
Net Income (Loss)	\$ 70.6	4.8%	\$ 6.3	0.4%	n/m		\$ (213.7)	-7.1%	\$ (542.9)	-18.2%	-61%	
Net Income (Loss) Per Common Share - Basic	\$ 0.20		\$ 0.02				\$ (0.62)		\$ (1.57)			
Weighted average number of common shares	346.7		345.3				346.2		344.8			
Net Income (Loss) Per Common Share - Diluted	\$ 0.20		\$ 0.02				\$ (0.62)		\$ (1.57)			
Weighted average number of common and potential common shares	348.5		345.7				346.2		344.8			

¹ Amounts may not foot due to rounding.

² Reflects the impact of immaterial revisions to the financial statements.

n/m - Not Meaningful

CONDENSED CONSOLIDATED BALANCE SHEETS¹

	September 30,		December 31,
	2019 ³	2018 ³	2018 ³
	(Unaudited)		
(In millions)			
Assets			
Cash and equivalents	\$ 218.3	\$ 209.2	\$ 594.5
Accounts receivable, net	1,291.3	1,312.9	970.1
Inventories	701.6	726.0	542.9
Prepaid expenses and other current assets	225.9	287.0	239.7
Total current assets	2,437.0	2,535.1	2,347.2
Property, plant, and equipment, net	572.3	677.0	657.6
Right-of-use assets, net ²	306.2	-	-
Other noncurrent assets	2,212.1	2,269.7	2,233.4
Total Assets	\$ 5,527.6	\$ 5,481.8	\$ 5,238.2
Liabilities and Stockholders' Equity			
Short-term borrowings	\$ 230.0	\$ 275.0	\$ 4.2
Accounts payable and accrued liabilities ²	1,244.8	1,220.6	1,242.3
Income taxes payable	48.8	5.8	13.5
Total current liabilities	1,523.5	1,501.4	1,260.0
Long-term debt	2,856.8	2,849.9	2,851.7
Noncurrent lease liabilities ²	273.9	-	-
Other noncurrent liabilities	419.7	471.5	469.7
Stockholders' equity	453.7	659.0	656.8
Total Liabilities and Stockholders' Equity	\$ 5,527.6	\$ 5,481.8	\$ 5,238.2

SUPPLEMENTAL BALANCE SHEET AND CASH FLOW DATA (Unaudited)¹

	September 30,	
	2019	2018 ³
Key Balance Sheet Data:		
Accounts receivable, net days of sales outstanding (DSO)	78	82
	Nine Months Ended September 30,	
	2019 ³	2018 ³
(In millions)		
Condensed Cash Flow Data:		
Cash flows used for operating activities	\$ (514)	\$ (731)
Cash flows used for investing activities	(78)	(115)
Cash flows provided by (used for) financing activities and other	216	(24)
Decrease in cash and equivalents	\$ (376)	\$ (870)

¹ Amounts may not foot due to rounding.

² Mattel adopted ASU 2016-02, Leases (Topic 842), on January 1, 2019 using the modified retrospective transition method. Upon adoption, Mattel recorded a right-of-use asset and lease liability on its balance sheet. Prior periods were not retrospectively adjusted.

³ Reflects the impact of immaterial revisions to the financial statements.

WORLDWIDE GROSS SALES INFORMATION (Unaudited)¹

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage information)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	% Change as Reported	% Change in Constant Currency	2019	2018 ⁴	% Change as Reported	% Change in Constant Currency
Worldwide Gross Sales:								
Net Sales	\$ 1,481.6	\$ 1,437.5	3 %	4 %	\$ 3,030.9	\$ 2,990.5	1 %	4 %
Sales Adjustments ²	175.4	169.2			368.4	370.2		
Gross Sales	<u>\$ 1,656.9</u>	<u>\$ 1,606.6</u>	3 %	4 %	<u>\$ 3,399.3</u>	<u>\$ 3,360.8</u>	1 %	4 %
Worldwide Gross Sales by Categories:³								
Dolls	\$ 567.6	\$ 538.4	5 %	7 %	\$ 1,093.9	\$ 1,062.4	3 %	6 %
Infant, Toddler and Preschool	431.0	483.4	-11	-10	876.6	998.1	-12	-10
Vehicles	346.9	306.5	13	15	744.4	710.5	5	8
Action Figures, Building Sets and Games	311.4	278.4	12	13	684.4	589.9	16	18
Gross Sales	<u>\$ 1,656.9</u>	<u>\$ 1,606.6</u>	3 %	4 %	<u>\$ 3,399.3</u>	<u>\$ 3,360.8</u>	1 %	4 %
Supplemental Gross Sales Disclosures								
Worldwide Gross Sales by Top 3 Power Brands:								
Barbie	\$ 412.8	\$ 374.7	10 %	12 %	\$ 762.8	\$ 698.1	9 %	12 %
Hot Wheels	293.3	235.0	25	27	619.0	547.2	13	17
Fisher-Price and Thomas & Friends	396.3	409.5	-3	-2	791.1	833.5	-5	-3
Other	554.4	587.4	-6	-4	1,226.3	1,281.9	-4	-2
Gross Sales	<u>\$ 1,656.9</u>	<u>\$ 1,606.6</u>	3 %	4 %	<u>\$ 3,399.3</u>	<u>\$ 3,360.8</u>	1 %	4 %

¹ Amounts may not foot due to rounding.

² Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

³ Mattel modified its reporting structure for revenues in the first quarter of 2019 to disclose revenues by categories. Refer to Note 23, Segment Information, in the Form 10-Q for additional information.

⁴ Reflects the impact of immaterial revisions to the financial statements.

GROSS SALES BY SEGMENT (Unaudited)¹

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage information)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	% Change as Reported	% Change in Constant Currency	2019	2018	% Change as Reported	% Change in Constant Currency
North America Segment Gross Sales:								
Net Sales	\$ 821.9	\$ 825.6	0 %	0 %	\$ 1,586.2	\$ 1,564.5	1 %	2 %
Sales Adjustments ²	58.6	60.7			111.0	113.1		
Gross Sales	<u>\$ 880.4</u>	<u>\$ 886.3</u>	-1 %	-1 %	<u>\$ 1,697.2</u>	<u>\$ 1,677.6</u>	1 %	1 %
North America Gross Sales by Categories: ³								
Dolls	\$ 250.6	\$ 241.5	4 %	4 %	\$ 424.2	\$ 394.9	7 %	8 %
Infant, Toddler and Preschool	274.6	306.2	-10	-10	525.3	586.2	-10	-10
Vehicles	170.8	159.2	7	7	344.3	334.6	3	3
Action Figures, Building Sets and Games	184.4	179.4	3	3	403.4	361.8	11	12
Gross Sales	<u>\$ 880.4</u>	<u>\$ 886.3</u>	-1 %	-1 %	<u>\$ 1,697.2</u>	<u>\$ 1,677.6</u>	1 %	1 %
Supplemental Gross Sales Disclosures								
North America Gross Sales by Top 3 Power Brands:								
Barbie	\$ 221.2	\$ 208.8	6 %	6 %	\$ 369.0	\$ 338.4	9 %	9 %
Hot Wheels	140.8	120.7	17	17	276.4	255.0	8	9
Fisher-Price and Thomas & Friends	250.9	255.2	-2	-2	472.1	483.5	-2	-2
Other	267.5	301.6	-11	-11	579.7	600.6	-3	-3
Gross Sales	<u>\$ 880.4</u>	<u>\$ 886.3</u>	-1 %	-1 %	<u>\$ 1,697.2</u>	<u>\$ 1,677.6</u>	1 %	1 %

¹ Amounts may not foot due to rounding.

² Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

³ Mattel modified its reporting structure for revenues in the first quarter of 2019 to disclose revenues by categories. Refer to Note 23, Segment Information, in the Form 10-Q for additional information.

GROSS SALES BY SEGMENT (Unaudited)¹

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage information)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	% Change as Reported	% Change in Constant Currency	2019	2018 ⁵	% Change as Reported	% Change in Constant Currency
Total International Segment Gross Sales:								
Net Sales	\$ 607.9	\$ 551.1	10 %	14 %	\$ 1,315.0	\$ 1,257.0	5 %	10 %
Sales Adjustments ²	113.8	105.4			252.4	250.2		
Gross Sales	\$ 721.7	\$ 656.5	10 %	13 %	\$ 1,567.4	\$ 1,507.3	4 %	10 %
International Segment Gross Sales:								
EMEA ³								
Net Sales	\$ 337.6	\$ 306.4	10 %	14 %	\$ 703.2	\$ 672.3	5 %	11 %
Sales Adjustments ²	71.0	63.6			155.9	146.9		
Gross Sales	\$ 408.7	\$ 370.1	10 %	15 %	\$ 859.1	\$ 819.2	5 %	12 %
Latin America								
Net Sales	\$ 182.3	\$ 167.2	9 %	11 %	\$ 368.0	\$ 347.4	6 %	10 %
Sales Adjustments ²	31.2	31.5			62.1	64.4		
Gross Sales	\$ 213.5	\$ 198.8	7 %	10 %	\$ 430.1	\$ 411.8	4 %	9 %
Asia Pacific ³								
Net Sales	\$ 88.0	\$ 77.4	14 %	15 %	\$ 243.8	\$ 237.4	3 %	7 %
Sales Adjustments ²	11.5	10.2			34.4	39.0		
Gross Sales	\$ 99.5	\$ 87.6	14 %	15 %	\$ 278.2	\$ 276.3	1 %	5 %
International Gross Sales by Categories:⁴								
Dolls	\$ 262.2	\$ 233.1	12 %	16 %	\$ 535.0	\$ 491.9	9 %	15 %
Infant, Toddler and Preschool	156.4	177.3	-12	-9	351.3	411.8	-15	-10
Vehicles	176.2	147.3	20	23	400.1	375.9	6	13
Action Figures, Building Sets and Games	127.0	98.8	28	32	281.0	227.7	23	29
Gross Sales	\$ 721.7	\$ 656.5	10 %	13 %	\$ 1,567.4	\$ 1,507.3	4 %	10 %
Supplemental Gross Sales Disclosures								
International Gross Sales by Top 3 Power Brands:								
Barbie	\$ 191.6	\$ 165.9	16 %	19 %	\$ 393.9	\$ 359.7	10 %	16 %
Hot Wheels	152.5	114.2	33	37	342.6	292.2	17	24
Fisher-Price and Thomas & Friends	145.4	154.3	-6	-3	319.1	349.9	-9	-4
Other	232.1	222.0	5	8	511.9	505.4	1	6
Gross Sales	\$ 721.7	\$ 656.5	10 %	13 %	\$ 1,567.4	\$ 1,507.3	4 %	10 %

¹ Amounts may not foot due to rounding.

² Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

³ Mattel reorganized its regional sales reporting structure in the first quarter of 2019. As a result, the new regions are Europe, the Middle East, and Africa ("EMEA"), Latin America, and Asia Pacific. The Middle East, Africa, Russia, and Turkey were previously included in the Asia Pacific region (previously Global Emerging Markets) and are now included in EMEA (previously Europe). Prior period amounts have been reclassified to conform to the current period presentation.

⁴ Mattel modified its reporting structure for revenues in the first quarter of 2019 to disclose revenues by categories. Refer to Note 23, Segment Information, in the Form 10-Q for additional information.

⁵ Reflects the impact of immaterial revisions to the financial statements.

GROSS SALES BY SEGMENT (Unaudited)¹

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage information)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	% Change as Reported	% Change in Constant Currency	2019	2018	% Change as Reported	% Change in Constant Currency
American Girl Segment Gross Sales:								
Net Sales	\$ 51.8	\$ 60.8	-15 %	-15 %	\$ 129.7	\$ 169.0	-23 %	-23 %
Sales Adjustments	3.0	3.0			5.0	6.9		
Gross Sales	<u>\$ 54.8</u>	<u>\$ 63.9</u>	-14 %	-14 %	<u>\$ 134.7</u>	<u>\$ 175.9</u>	-23 %	-23 %

¹ Amounts may not foot due to rounding.

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)¹
 RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except per share and percentage information)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019 ²	2018 ²	2019 ^{2,6}	2018 ^{2,6}
Gross Profit				
Gross Profit, As Reported	\$ 686.4	\$ 613.1	\$ 1,267.6	\$ 1,089.1
Gross Margin	46.3%	42.6%	41.8%	36.4%
<i>Adjustments:</i>				
Asset Impairments	-	-	-	5.8
Severance and Restructuring Expenses ³	8.4	5.7	11.9	5.7
Inclined Sleeper Product Recalls ⁴	0.7	-	21.3	-
Gross Profit, As Adjusted	\$ 695.6	\$ 618.8	\$ 1,300.8	\$ 1,100.5
Adjusted Gross Margin	46.9%	43.0%	42.9%	36.8%
Other Selling and Administrative Expenses				
Other Selling and Administrative Expenses, As Reported	\$ 366.0	\$ 325.9	\$ 971.6	\$ 1,110.5
% of Net Sales	24.7%	22.7%	32.1%	37.1%
<i>Adjustments:</i>				
Asset Impairments	-	-	-	(6.1)
Non-recurring Executive Compensation	-	-	-	(1.0)
Severance and Restructuring Expenses ³	(11.3)	(25.5)	(34.4)	(98.2)
Inclined Sleeper Product Recalls ⁴	(3.2)	-	(7.6)	-
Sale of Assets	-	-	-	1.4
Other Selling and Administrative Expenses, As Adjusted	\$ 351.4	\$ 300.4	\$ 929.6	\$ 1,006.6
% of Net Sales	23.7%	20.9%	30.7%	33.7%
Operating Income (Loss)				
Operating Income (Loss), As Reported	\$ 150.1	\$ 121.9	\$ (28.3)	\$ (339.9)
<i>Adjustments:</i>				
Asset Impairments	-	-	-	11.9
Non-recurring Executive Compensation	-	-	-	1.0
Severance and Restructuring Expenses ³	19.7	31.2	46.4	103.9
Inclined Sleeper Product Recalls ⁴	3.9	-	28.9	-
Sale of Assets	-	-	-	(1.4)
Operating Income (Loss), As Adjusted	\$ 173.7	\$ 153.0	\$ 46.9	\$ (224.6)
Other Information				
Toys "R" Us Net Sales Reversal ⁵	\$ -	\$ -	\$ -	\$ 29.5
Toys "R" Us Bad Debt Expense, Net ⁵	\$ (1.4)	\$ (13.0)	\$ (1.4)	\$ 37.3
Inclined Sleeper Product Recalls ⁴	\$ 3.9	\$ -	\$ 34.3	\$ -

¹ Amounts may not foot due to rounding.

² Toys "R" Us Net Sales Reversal and Toys "R" Us Bad Debt Expense, Net are not presented as non-GAAP adjustments for the three and nine months ended September 30, 2019 and 2018.

³ For the three months ended September 30, 2019, severance and restructuring expenses include \$16.3 million related to Capital Light initiatives of which \$8.4 million was recorded to Cost of Sales and \$7.9 million was recorded to Other Selling and Administrative Expenses.

For the nine months ended September 30, 2019, severance and restructuring expenses include \$27.8 million related to Capital Light initiatives of which \$11.9 million was recorded to Cost of Sales and \$15.9 million was recorded to Other Selling and Administrative Expenses.

⁴ Mattel recorded an estimated impact of \$3.9 million and \$34.3 million related to inclined sleeper product recalls for the three and nine months ended September 30, 2019, respectively. Of the \$34.3 million recorded during the nine months ended September 30, 2019, \$5.4 million was a reduction to Net Sales for estimated retailer returns.

⁵ As a result of the Toys "R" Us liquidation, Mattel reversed Net Sales for the estimated uncollectible portion of its outstanding receivables originating from first quarter 2018 sales. As such, Gross Profit, As Reported includes the Cost of Sales for the inventory sold to Toys "R" Us but excludes the corresponding Net Sales. Additionally, during 2018, Mattel recorded Bad Debt Expense, Net for the estimated uncollectible portion of its outstanding receivables, net of recoveries and other reductions.

⁶ Reflects the impact of immaterial revisions to the financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)¹
 RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except per share and percentage information)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019 ²	2018 ²	2019 ^{2,8}	2018 ^{2,8}
Earnings Per Share				
Net Income (Loss) Per Common Share, As Reported	\$ 0.20	\$ 0.02	\$ (0.62)	\$ (1.57)
<i>Adjustments:</i>				
Asset Impairments	-	-	-	0.03
Severance and Restructuring Expenses ³	0.06	0.09	0.13	0.30
Inclined Sleeper Product Recalls ⁴	0.01	-	0.08	-
Tax Effect of Adjustments ⁶	(0.01)	-	(0.01)	(0.01)
Tax Items ⁷	-	0.07	-	0.07
Net Income (Loss) Per Common Share, As Adjusted	\$ 0.26	\$ 0.18	\$ (0.41)	\$ (1.18)
EBITDA and Adjusted EBITDA				
Net Income (Loss), As Reported	\$ 70.6	\$ 6.3	\$ (213.7)	\$ (542.9)
<i>Adjustments:</i>				
Interest Expense	47.7	48.2	140.9	132.7
Provision for Income Taxes	31.4	66.3	46.2	71.6
Depreciation	52.7	62.2	156.3	179.6
Amortization	9.8	10.2	30.2	29.9
EBITDA	212.1	193.1	159.8	(129.1)
<i>Adjustments:</i>				
Asset Impairments	-	-	-	11.9
Shared-based Compensation	14.8	13.8	39.1	36.2
Severance and Restructuring Expenses ³	16.8	25.5	40.0	98.2
Inclined Sleeper Product Recalls ⁴	3.9	-	28.9	-
Sale of Assets	-	-	-	(1.4)
Adjusted EBITDA	\$ 247.7	\$ 232.4	\$ 267.8	\$ 15.7

1 Amounts may not foot due to rounding.

2 Toys "R" Us Net Sales Reversal and Toys "R" Us Bad Debt Expense, Net are not presented as non-GAAP adjustments for the three and nine months ended September 30, 2019 and 2018.

3 For the three months ended September 30, 2019, severance and restructuring expenses include \$16.3 million related to Capital Light initiatives of which \$8.4 million was recorded to Cost of Sales and \$7.9 million was recorded to Other Selling and Administrative Expenses.

For the nine months ended September 30, 2019, severance and restructuring expenses include \$27.8 million related to Capital Light initiatives of which \$11.9 million was recorded to Cost of Sales and \$15.9 million was recorded to Other Selling and Administrative Expenses.

4 Mattel recorded an estimated impact of \$3.9 million and \$34.3 million related to inclined sleeper product recalls for the three and nine months ended September 30, 2019, respectively. Of the \$34.3 million recorded during the nine months ended September 30, 2019, \$5.4 million was a reduction to Net Sales for estimated retailer returns.

6 The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, and dividing by the reported weighted average number of common and potential common shares.

Adjustments for the U.S. and certain International affiliates were not tax effected because of the valuation allowance on deferred tax assets.

7 For the three and nine months ended September 30, 2019, the amount includes expense of approximately \$24 million related to the provisional tax for deemed repatriation of accumulated foreign earnings and changes to the indefinite reinvestment assertion made as a result of U.S. Tax Reform.

8 Reflects the impact of immaterial revisions to the financial statements.

MATTEL COMPLETES INTERNAL INVESTIGATION OF WHISTLEBLOWER LETTER AND ANNOUNCES REMEDIAL ACTIONS

EL SEGUNDO, Calif., Oct. 29, 2019 – Mattel, Inc. (NASDAQ: MAT) (“Mattel” or the “Company”) announced today that the Audit Committee of its Board of Directors has completed an independent investigation into the allegations contained in a whistleblower letter disclosed on August 8, 2019 (the “Letter”).

Overview

The Letter, which had been sent to Mattel’s outside auditors, questioned whether there were accounting errors in historical periods and whether Mattel’s outside auditor was independent.

The investigation determined that income tax expense was understated by \$109 million in the third quarter of 2017, and overstated by \$109 million in the fourth quarter of 2017, with no impact for the full year. The errors were non-cash, did not affect operating income or EBITDA, and had no impact on Mattel’s full year financial results for 2017 or subsequent periods. The investigation also determined that Mattel has certain material weaknesses in its internal control over financial reporting.

The Audit Committee concluded that the objectivity and impartiality of Mattel’s outside auditor has not been impaired, and that Mattel’s outside auditor can continue as its independent auditor. Mattel’s outside auditor agrees with that conclusion.

Mattel will undertake a series of remedial actions, including the amendment of the Company’s 2018 Form 10-K to restate the last two quarters of 2017, and certain related information, and the strengthening of its internal control over financial reporting.

Background on the Letter and the Internal Investigation

On August 2, 2019, Mattel’s outside auditor received the Letter. On August 8, 2019, Mattel publicly announced that it had received the Letter and would investigate its allegations. Thereafter, the Board directed the Audit Committee, which consists of independent directors, to investigate the Letter. Over the past two months, the Audit Committee, together with independent counsel from O’Melveny & Myers LLP and forensic accountants from FTI Consulting, thoroughly investigated the Letter’s allegations. Mattel provided all requested documents and made all requested witnesses available to the Audit Committee. Mattel’s outside auditor conducted its own investigation and informed the Audit Committee that it had shared all relevant information with the Audit Committee.

Key Findings

The Audit Committee’s investigation found errors in publicly-filed Mattel financial statements for the last two quarters of 2017, failures to properly consider and disclose such errors to the then-Chief Executive Officer (“CEO”), Margaret Georgiadis, and the Audit Committee once they became known, and violations of auditor independence rules. Other allegations in the Letter were determined to be unfounded or immaterial.

Mattel's 10-Q for the Quarter Ended September 30, 2017 ("Q3 2017 10-Q") and 10-K for the Year Ended December 31, 2017 ("2017 10-K") Contain Errors

- Mattel's previously reported net loss of \$603.3 million for the third quarter ended September 30, 2017 was understated by \$109 million due to an error in calculating its tax valuation allowance. The correct reported net loss for the quarter ended September 30, 2017 should have been a net loss of \$712.3 million.
- A change in accounting for an intangible asset in the fourth quarter of 2017 resulted in an effective correction of the error for the 2017 annual results. However, the tax expense remained uncorrected in the Q3 2017 10-Q and was therefore overstated in the quarter ended December 31, 2017. As a result, Mattel's previously reported loss of \$281.3 million for the quarter ended December 31, 2017 should have been reported as a net loss of \$172.3 million.
- These errors had no impact on Mattel's gross profit, operating income, EPS, adjusted EPS, EBITDA, Adjusted EBITDA, or cash flows for the year ended December 31, 2017.

Failure to Properly Assess and Disclose the Known Errors to the then-CEO and Audit Committee

- Mattel's management identified the third quarter 2017 accounting error associated with its tax valuation allowance during its year-end accounting closing procedures for the quarter ended December 31, 2017. The error was not properly assessed nor were findings and conclusions documented. The error was not reported to Mattel's then-CEO, Margaret Georgiadis, and the Audit Committee, and was also not disclosed in the 2017 10-K. The investigation revealed that a confluence of one-time events, management's reliance on the accounting advice sought and received on the error from the lead audit engagement partner of Mattel's outside auditor, and lapses in judgment by management contributed to these failures. The investigation did not find that management engaged in fraud.

Material Weaknesses

- In light of the above findings of the investigation, Mattel determined that there were material weaknesses in its internal control over financial reporting at the time of the preparation of its financial statements for the quarters ending on September 30, 2017 and December 31, 2017.

Additional Findings

- The Letter also contains allegations regarding the independence of the lead audit partner of Mattel's outside auditor. The Audit Committee investigated these allegations, many of which were unfounded. However, the Audit Committee's investigation and a separate investigation by Mattel's outside auditor concluded that certain actions in specific HR-related activities by the lead audit partner of Mattel's outside auditor, namely providing recommendations on candidates for Mattel's senior finance positions, was in violation of the SEC's auditor independence rules. He also provided feedback on senior finance employees. Both the Audit Committee and Mattel's outside auditor separately concluded after evaluating the nature and severity of these matters that Mattel's outside auditor remains capable of exercising objective and impartial judgement on all issues

with respect to pending and relevant past audits. The Audit Committee determined that Mattel's outside auditor should remain as Mattel's independent registered public accounting firm.

Related Company Actions

Mattel has been and is continuing to work on addressing the issues identified in the Audit Committee's investigation.

First, Mattel, in consultation with the Audit Committee, determined that it is appropriate to amend the Company's 2018 Annual Report on Form 10-K to: (1) restate the Company's financial results for the third and fourth quarters of 2017 and certain related information; and (2) identify material weaknesses in its internal control over financial reporting for the third and fourth quarters of 2017. Mattel has discussed the restatements with its outside auditor and is working diligently to prepare and file the amended report by November 12, 2019. Investors should no longer rely upon Mattel's previously released financial statements and internal control conclusions for the third and fourth quarters of 2017. Similarly, related press releases, earnings releases, and investor communications describing Mattel's financial statements for these periods should no longer be relied upon.

Second, Mattel's outside auditor has replaced its lead audit engagement partner and certain other members of its audit team for its audit engagement with Mattel. The Audit Committee and Mattel's management support this decision.

Third, after Mattel filed its 2017 10-K but before receiving the Letter, Mattel hired a new Controller and a new Senior Vice President of Tax, and it outsourced Mattel's internal audit function to a third party service provider. Furthermore, Mattel today announced a CFO transition plan and is conducting a search for a new CFO, as reflected in a separate press release that can be found on Mattel's website www.mattel.com.

Fourth, Mattel is developing a policy and more robust procedures relating to the assessment, documentation and disclosure of accounting errors and is reviewing its disclosure committee controls and procedures. Mattel is also supplementing its policy and training with respect to auditor independence.

Commenting on the Audit Committee's investigation, Mattel's Chairman and Chief Executive Officer Ynon Kreiz stated, "Mattel agrees with the Audit Committee's findings and conclusions. The Audit Committee has identified issues and control weaknesses that need to be addressed. To help ensure that the matters identified by the investigation do not recur, I will work with the Audit Committee and Board to implement remedial measures, which will include enhanced accounting and independence policies, internal controls and employee training. We will ensure these issues are resolved thoroughly and quickly so that we can continue to execute on our strategy with the highest level of internal control and diligence."

Other Immaterial Revisions

In addition to the restatement of financial statements referred to above, Mattel has also elected to revise 2019 and prior periods for certain other immaterial, out-of-period adjustments. These revisions are unrelated to the Letter or issues investigated by the Audit Committee.

Forward-Looking Statements

This press release contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as “anticipates,” “expects,” “intends,” “plans,” “confident that” and “believes,” among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic and other information, and are subject to a number of significant risks and uncertainties. Forward-looking statements, including statements regarding Mattel’s intent to restate certain prior financial statements, the estimated adjustments of the restated financials, the internal investigation by the Audit Committee and the expected timing of filing the restated financial reports, involve risks and uncertainties which may cause actual results to differ materially from those stated here. 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. Specific factors that might cause such a difference include, but are not limited to: (i) the risk that additional information may be raised to the Audit Committee after the completion of the investigation, (ii) the risk that preparing the restated financial statements will require Mattel to make additional adjustments, (iii) the time and effort required to complete the restatements, the impact of inquiries, if any, by the Securities and Exchange Commission and any related or additional governmental investigative or enforcement proceedings, (iv) the impact of litigation or arbitration decisions or settlement actions, and (v) other risks and uncertainties as may be described in Mattel’s periodic filings with the Securities and Exchange Commission, including the “Risk Factors” section of Mattel’s Annual Report on Form 10-K for the year ended December 31, 2018, and Mattel’s Quarterly Reports on Form 10-Q for quarters ended March 31, 2019, June 30, 2019 and September 30, 2019, as well as in Mattel’s other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law.

About Mattel

Mattel is a leading global children’s entertainment company that specializes in design and production of quality toys and consumer products. We create innovative products and experiences that inspire, entertain and develop children through play. We engage consumers through our portfolio of iconic franchises, including Barbie®, Hot Wheels®, American Girl®, Fisher-Price®, Thomas & Friends® and MEGA®, as well as other popular brands that we own or license in partnership with global entertainment companies. Our offerings include film and television content, gaming, music and live events. We operate in 40 locations and sell products in more than 150 countries in collaboration with the world’s leading retail and technology companies. Since its founding in 1945, Mattel is proud to be a trusted partner in exploring the wonder of childhood and empowering kids to reach their full potential. Visit us online at www.mattel.com.

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MATTEL ANNOUNCES CFO TRANSITION PLAN

EL SEGUNDO, Calif., October 29, 2019 – Mattel, Inc. (NASDAQ: MAT) today announced that Chief Financial Officer Joseph J. Euteneuer will leave the Company after a transition period of up to six months. Mattel is conducting a search for its next CFO.

Ynon Kreiz, Chairman and Chief Executive Officer of Mattel, said, “Joe has been a valued member of our leadership team since joining Mattel two years ago. He has played a key role in our Structural Simplification program which is nearing completion, and made meaningful contributions to the significant progress we have made in the first phase of our strategy to restore profitability. I thank him for his commitment through the transition of the CFO role.”

Mr. Euteneuer said, “It has been a privilege to work alongside Ynon and the talented team at Mattel. I have great confidence in the Company’s ability to achieve its strategic and financial goals and believe Mattel is well-positioned to capitalize on opportunities for value creation. I am grateful for my time at the Company and look forward to continue working with the leadership and finance teams to ensure a seamless transition.

About Mattel

Mattel is a leading global children’s entertainment company that specializes in design and production of quality toys and consumer products. We create innovative products and experiences that inspire, entertain and develop children through play. We engage consumers through our portfolio of iconic franchises, including Barbie®, Hot Wheels®, American Girl®, Fisher-Price®, Thomas & Friends® and MEGA®, as well as other popular brands that we own or license in partnership with global entertainment companies. Our offerings include film and television content, gaming, music and live events. We operate in 40 locations and sell products in more than 150 countries in collaboration with the world’s leading retail and technology companies. Since its founding in 1945, Mattel is proud to be a trusted partner in exploring the wonder of childhood and empowering kids to reach their full potential. Visit us online at www.mattel.com.

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