

**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 March 31, 2017

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

Commission File Number 001-05647

MATTEL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

333 Continental Blvd.
El Segundo, CA
(Address of principal executive offices)

90245-5012
(Zip Code)

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 April 14, 2017:

342,556,368 shares

PART I

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(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. They often include words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “seeks,” “aims,” “estimates,” “projects,” “on track” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could,” or “may.” A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Investors should not place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. These forward-looking statements are all based on currently available operating, financial, economic and competitive information and are subject to various risks and uncertainties. Mattel’s actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties detailed in Part 1, Item 1A “Risk Factors” in Mattel’s 2016 Annual Report on Form 10-K. Mattel expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new developments or otherwise.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2017	March 31, 2016	December 31, 2016
(Unaudited; in thousands, except share data)			
ASSETS			
Current Assets			
Cash and equivalents	\$ 381,887	\$ 599,708	\$ 869,531
Accounts receivable, net	806,800	748,074	1,115,217
Inventories	769,799	698,316	613,798
Prepaid expenses and other current assets	362,879	349,859	341,518
Total current assets	<u>2,321,365</u>	<u>2,395,957</u>	<u>2,940,064</u>
Noncurrent Assets			
Property, plant, and equipment, net	783,469	732,667	773,965
Goodwill	1,389,920	1,401,567	1,387,628
Other noncurrent assets	1,426,175	1,438,754	1,392,137
Total Assets	<u>\$ 5,920,929</u>	<u>\$ 5,968,945</u>	<u>\$ 6,493,794</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Short-term borrowings	\$ 180,000	\$ —	\$ 192,168
Current portion of long-term debt	250,000	300,000	—
Accounts payable	481,412	424,349	664,857
Accrued liabilities	450,316	495,383	628,826
Income taxes payable	9,316	14,393	19,722
Total current liabilities	<u>1,371,044</u>	<u>1,234,125</u>	<u>1,505,573</u>
Noncurrent Liabilities			
Long-term debt	1,884,982	1,785,427	2,134,271
Other noncurrent liabilities	448,962	474,273	446,168
Total noncurrent liabilities	<u>2,333,944</u>	<u>2,259,700</u>	<u>2,580,439</u>
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	1,798,726	1,797,967	1,790,832
Treasury stock at cost: 98.8 million shares, 101.0 million shares, and 99.0 million shares, respectively	(2,422,197)	(2,476,006)	(2,426,749)
Retained earnings	3,301,875	3,542,486	3,545,359
Accumulated other comprehensive loss	(903,832)	(830,696)	(943,029)
Total stockholders' equity	<u>2,215,941</u>	<u>2,475,120</u>	<u>2,407,782</u>
Total Liabilities and Stockholders' Equity	<u>\$ 5,920,929</u>	<u>\$ 5,968,945</u>	<u>\$ 6,493,794</u>

The accompanying notes are an integral part of these financial statements

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(Unaudited; in thousands, except per share amounts)	
Net Sales	\$ 735,618	\$ 869,399
Cost of sales	456,840	480,728
Gross Profit	278,778	388,671
Advertising and promotion expenses	73,562	86,943
Other selling and administrative expenses	332,244	350,874
Operating Loss	(127,028)	(49,146)
Interest expense	22,030	22,520
Interest (income)	(2,466)	(2,360)
Other non-operating (income) expense, net	(921)	24,173
Loss Before Income Taxes	(145,671)	(93,479)
Benefit from income taxes	(32,440)	(20,520)
Net Loss	\$ (113,231)	\$ (72,959)
Net Loss Per Common Share—Basic	\$ (0.33)	\$ (0.21)
Weighted average number of common shares	342,914	340,369
Net Loss Per Common Share—Diluted	\$ (0.33)	\$ (0.21)
Weighted average number of common and potential common shares	342,914	340,369
Dividends Declared Per Common Share	\$ 0.38	\$ 0.38

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

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(Unaudited; in thousands)	
Net Loss	\$ (113,231)	\$ (72,959)
Other Comprehensive Income, Net of Tax:		
Currency translation adjustments	54,269	40,021
Defined benefit pension plan adjustments	1,055	1,085
Net unrealized loss on available-for-sale security	(1,314)	—
Net unrealized losses on derivative instruments:		
Unrealized holding losses	(12,584)	(15,893)
Reclassification adjustment for realized gains included in net income	(2,229)	(7,010)
	<u>(14,813)</u>	<u>(22,903)</u>
Other Comprehensive Income, Net of Tax	39,197	18,203
Comprehensive Loss	<u>\$ (74,034)</u>	<u>\$ (54,756)</u>

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

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
(Unaudited; in thousands)		
Cash Flows From Operating Activities:		
Net loss	\$ (113,231)	\$ (72,959)
Adjustments to reconcile net income to net cash flows used for operating activities:		
Depreciation	59,312	60,002
Amortization	5,239	6,338
Deferred income taxes	(45,434)	(35,197)
Share-based compensation	12,671	12,364
Increase (decrease) from changes in assets and liabilities, net of acquired assets and liabilities:		
Accounts receivable	323,810	402,501
Inventories	(146,003)	(96,132)
Prepaid expenses and other current assets	(24,980)	20,833
Accounts payable, accrued liabilities, and income taxes payable	(363,469)	(358,700)
Other, net	(17,956)	(28,303)
Net cash flows used for operating activities	(310,041)	(89,253)
Cash Flows From Investing Activities:		
Purchases of tools, dies, and molds	(29,286)	(31,077)
Purchases of other property, plant, and equipment	(41,046)	(14,232)
Payments for acquisition, net of cash acquired	—	(32,606)
Proceeds from foreign currency forward exchange contracts	25,928	19,379
Other, net	(291)	3,792
Net cash flows used for investing activities	(44,695)	(54,744)
Cash Flows From Financing Activities:		
Payments of short-term borrowings, net	(192,168)	(16,914)
Proceeds from short-term borrowings, net	180,000	—
Payments of dividends on common stock	(130,129)	(129,202)
Proceeds from exercise of stock options	1,415	12,421
Other, net	(1,764)	(670)
Net cash flows used for financing activities	(142,646)	(134,365)
Effect of Currency Exchange Rate Changes on Cash	9,738	(14,744)
Decrease in Cash and Equivalents	(487,644)	(293,106)
Cash and Equivalents at Beginning of Period	869,531	892,814
Cash and Equivalents at End of Period	\$ 381,887	\$ 599,708

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

MATTEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments, consisting of only those of a normal recurring nature, considered necessary for a fair presentation of the financial position and interim results of Mattel, Inc. and its subsidiaries (“Mattel”) as of and for the periods presented have been included. As Mattel’s business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year.

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

The financial information included herein should be read in conjunction with Mattel’s consolidated financial statements and related notes in its 2016 Annual Report on Form 10-K.

2. Accounts Receivable

Accounts receivable are net of allowances for doubtful accounts of \$23.3 million, \$31.9 million, and \$21.4 million as of March 31, 2017, March 31, 2016, and December 31, 2016, respectively.

3. Inventories

Inventories include the following:

	March 31, 2017	March 31, 2016	December 31, 2016
	(In thousands)		
Raw materials and work in process	\$ 121,746	\$ 126,511	\$ 112,327
Finished goods	648,053	571,805	501,471
	<u>\$ 769,799</u>	<u>\$ 698,316</u>	<u>\$ 613,798</u>

4. Property, Plant, and Equipment

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

	March 31, 2017	March 31, 2016	December 31, 2016
	(In thousands)		
Land	\$ 25,186	\$ 27,125	\$ 25,113
Buildings	285,051	276,413	280,226
Machinery and equipment	850,723	777,831	828,969
Software	364,495	337,147	356,622
Tools, dies, and molds	880,171	842,136	869,385
Capital leases	23,970	23,970	23,970
Leasehold improvements	270,659	250,556	261,254
	<u>2,700,255</u>	<u>2,535,178</u>	<u>2,645,539</u>
Less: accumulated depreciation	<u>(1,916,786)</u>	<u>(1,802,511)</u>	<u>(1,871,574)</u>
	<u>\$ 783,469</u>	<u>\$ 732,667</u>	<u>\$ 773,965</u>

5. Goodwill

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

The change in the carrying amount of goodwill by operating segment for the three months ended March 31, 2017 is shown below. Brand-specific goodwill held by foreign subsidiaries is allocated to the North America and American Girl operating segments selling those brands, thereby causing a foreign currency translation impact for these operating segments.

	December 31, 2016	Currency Exchange Rate Impact	March 31, 2017
		(In thousands)	
North America	\$ 730,139	\$ 483	\$ 730,622
International	445,008	1,746	446,754
American Girl	212,481	63	212,544
Total goodwill	<u>\$ 1,387,628</u>	<u>\$ 2,292</u>	<u>\$ 1,389,920</u>

Acquisitions of Sproutling, Inc. and Fuhu, assets

In January 2016, Mattel completed its acquisition of Sproutling, Inc. ("Sproutling"), a maker of smart technology products for parents and families, for total consideration of \$9.9 million and additional contingent consideration that may become payable under the terms of the agreement based on Sproutling's operating results over the next three years. Also in January 2016, Mattel acquired substantially all of the assets of Fuhu, Inc. ("Fuhu"), a developer of high technology products for children and families and best known for its nabi[®] brand of products, for total consideration of \$23.3 million. These acquisitions are expected to strengthen Mattel's digital and smart technology capabilities and create opportunities to bring new technology-enabled products to market.

Mattel finalized the valuation of the assets acquired and liabilities assumed in the fourth quarter of 2016, which resulted in adjustments to the purchase price allocation during the measurement period. During 2016, Mattel recognized approximately \$2 million of integration and acquisition costs. Integration and acquisition costs are recorded within other selling and administrative expenses in the consolidated statements of operations. The pro forma and actual results of operations for these acquisitions have not been presented because they are not material, individually or in the aggregate, to Mattel.

6. Other Noncurrent Assets

Other noncurrent assets include the following:

	March 31, 2017	March 31, 2016	December 31, 2016
		(In thousands)	
Deferred income taxes	\$ 554,056	\$ 548,184	\$ 508,363
Nonamortizable identifiable intangibles	461,179	483,506	458,589
Identifiable intangibles (net of amortization of \$157.9 million, \$136.8 million, and \$153.7 million, respectively)	198,156	218,032	201,859
Other	212,784	189,032	223,326
	<u>\$ 1,426,175</u>	<u>\$ 1,438,754</u>	<u>\$ 1,392,137</u>

In connection with the acquisitions of Sproutling and substantially all of the assets of Fuhu in the first quarter of 2016, as more fully described in "Note 5 to the Consolidated Financial Statements—Goodwill" of this Quarterly Report on Form 10-Q, Mattel recognized \$11.2 million of amortizable identifiable intangible assets, primarily related to patents.

Mattel tests nonamortizable intangible assets, including trademarks and trade names, for impairment annually in the third quarter and whenever events or changes in circumstances indicate that the carrying values may exceed the fair values. Mattel also tests its amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

7. Accrued Liabilities

Accrued liabilities include the following:

	March 31, 2017	March 31, 2016	December 31, 2016
	(In thousands)		
Royalties	\$ 46,973	\$ 48,170	\$ 107,077
Advertising and promotion	31,325	21,533	85,116
Taxes other than income taxes	30,209	24,108	67,555
Other	341,809	401,572	369,078
	<u>\$ 450,316</u>	<u>\$ 495,383</u>	<u>\$ 628,826</u>

8. Seasonal Financing

Mattel maintains and periodically amends or replaces its domestic unsecured committed revolving credit facility ("Credit Facility") with a commercial bank group. The facility is used as a back-up to Mattel's commercial paper program, which is used as the primary source of financing for the seasonal working capital requirements of its domestic subsidiaries. The agreement governing the Credit Facility was amended and restated on June 8, 2015 to, among other things, (i) extend the maturity date of the Credit Facility to June 9, 2020, (ii) amend the definition of consolidated earnings before interest, taxes, depreciation, and amortization ("Consolidated EBITDA") used in calculating Mattel's financial ratio covenants, and (iii) increase the maximum allowed consolidated debt-to-Consolidated EBITDA ratio to 3.50 to 1. The aggregate commitments under the Credit Facility remain at \$1.60 billion, with an "accordion feature," which allows Mattel to increase the aggregate availability under the Credit Facility to \$1.85 billion under certain circumstances. In addition, applicable interest rate margins remain within a range of 0.00% to 0.75% above the applicable base rate for base rate loans and 0.88% to 1.75% above the applicable LIBOR for Eurodollar rate loans, and the commitment fees range from 0.08% to 0.25% of the unused commitments under the Credit Facility, in each case depending on Mattel's senior unsecured long-term debt rating.

The proportion of unamortized debt issuance costs from the prior facility renewal related to creditors involved in both the prior facility and amended facility and borrowing costs incurred as a result of the amendment were deferred, and such costs will be amortized over the term of the amended facility.

Mattel is required to meet financial ratio covenants at the end of each quarter and fiscal year, using the formulae specified in the credit agreement to calculate the ratios. Mattel was in compliance with such covenants at March 31, 2017.

The credit agreement is a material agreement, and failure to comply with the financial ratio covenants may result in an event of default under the terms of the Credit Facility. If Mattel were to default under the terms of the Credit Facility, its ability to meet its seasonal financing requirements could be adversely affected.

9. Long-Term Debt

Long-term debt includes the following:

	March 31, 2017	March 31, 2016	December 31, 2016
	(In thousands)		
2010 Senior Notes due October 2020 and October 2040	\$ 500,000	\$ 500,000	\$ 500,000
2011 Senior Notes due November 2016 and November 2041	300,000	600,000	300,000
2013 Senior Notes due March 2018 and March 2023	500,000	500,000	500,000
2014 Senior Notes due May 2019	500,000	500,000	500,000
2016 Senior Notes due August 2021	350,000	—	350,000
Debt issuance costs	(15,018)	(14,573)	(15,729)
	<u>2,134,982</u>	<u>2,085,427</u>	<u>2,134,271</u>
Less: current portion	(250,000)	(300,000)	—
Total long-term debt	<u>\$ 1,884,982</u>	<u>\$ 1,785,427</u>	<u>\$ 2,134,271</u>

In August 2016, Mattel issued \$350.0 million aggregate principal amount of 2.35% senior unsecured notes due August 15, 2021 (“2016 Senior Notes”). Interest on the 2016 Senior Notes is payable semi-annually in arrears on February 15 and August 15 of each year, beginning February 15, 2017. Mattel may redeem all or part of the 2016 Senior Notes at any time or from time to time prior to July 15, 2021 (one month prior to the maturity date of the 2016 Senior Notes) (the “Par Call Date”), at its option, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2016 Senior Notes being redeemed or (2) a “make-whole” amount based on the yield of a comparable U.S. Treasury security plus 20 basis points, plus, in each case, accrued and unpaid interest on the 2016 Senior Notes being redeemed to, but excluding, the redemption date. Mattel may redeem all or part of the 2016 Senior Notes at any time or from time to time on or after the Par Call Date, at its option, at a redemption price equal to 100% of the principal amount of the 2016 Senior Notes to be redeemed, plus accrued and unpaid interest on the 2016 Senior Notes being redeemed to, but excluding, the redemption date.

10. Other Noncurrent Liabilities

Other noncurrent liabilities include the following:

	March 31, 2017	March 31, 2016	December 31, 2016
	(In thousands)		
Benefit plan liabilities	\$ 179,720	\$ 204,025	\$ 192,466
Noncurrent tax liabilities	98,208	107,148	96,871
Other	171,034	163,100	156,831
	<u>\$ 448,962</u>	<u>\$ 474,273</u>	<u>\$ 446,168</u>

11. Accumulated Other Comprehensive Income (Loss)

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

	For the Three Months Ended March 31, 2017				
	Derivative Instruments	Available-for-Sale Security	Defined Benefit Pension Plans	Currency Translation Adjustments	Total
	(In thousands)				
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of December 31, 2016	\$ 17,469	\$ 3,149	\$ (157,704)	\$ (805,943)	\$ (943,029)
Other comprehensive (loss) income before reclassifications	(12,584)	(1,314)	(100)	54,269	40,271
Amounts reclassified from accumulated other comprehensive income (loss)	(2,229)	—	1,155	—	(1,074)
Net (decrease) increase in other comprehensive income	<u>(14,813)</u>	<u>(1,314)</u>	<u>1,055</u>	<u>54,269</u>	<u>39,197</u>
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of March 31, 2017	<u>\$ 2,656</u>	<u>\$ 1,835</u>	<u>\$ (156,649)</u>	<u>\$ (751,674)</u>	<u>\$ (903,832)</u>

For the Three Months Ended March 31, 2016

	Derivative Instruments	Available-for-Sale Security	Defined Benefit Pension Plans	Currency Translation Adjustments	Total
(In thousands)					
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of December 31, 2015	\$ 15,363	\$ —	\$ (159,858)	\$ (704,404)	\$ (848,899)
Other comprehensive (loss) income before reclassifications	(15,893)	—	(1,024)	40,021	23,104
Amounts reclassified from accumulated other comprehensive income (loss)	(7,010)	—	2,109	—	(4,901)
Net (decrease) increase in other comprehensive income	(22,903)	—	1,085	40,021	18,203
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of March 31, 2016	<u>\$ (7,540)</u>	<u>\$ —</u>	<u>\$ (158,773)</u>	<u>\$ (664,383)</u>	<u>\$ (830,696)</u>

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

	For the Three Months Ended		Statements of Operations Classification
	March 31, 2017	March 31, 2016	
(In thousands)			
Derivative Instruments			
Gain on foreign currency forward exchange contracts	\$ 2,207	\$ 7,212	Cost of sales
	22	(202)	Provision for income taxes
	<u>\$ 2,229</u>	<u>\$ 7,010</u>	Net income
Defined Benefit Pension Plans			
Amortization of prior service cost	\$ (8)	\$ (8)	(a)
Recognized actuarial loss	(1,857)	(1,873)	(a)
	(1,865)	(1,881)	
	710	(228)	Provision for income taxes
	<u>\$ (1,155)</u>	<u>\$ (2,109)</u>	Net income

(a) The amortization of prior service cost and recognized actuarial loss are included in the computation of net periodic benefit cost. Refer to "Note 15 to the Consolidated Financial Statements—Employee Benefit Plans" of this Quarterly Report on Form 10-Q for additional information regarding Mattel's net periodic benefit cost.

Currency Translation Adjustments

Mattel's reporting currency is the US dollar. The translation of its net investments in subsidiaries with non-US dollar functional currencies subjects Mattel to the impact of currency exchange rate fluctuations in its results of operations and financial position. Assets and liabilities of subsidiaries with non-US dollar functional currencies are translated into US dollars at fiscal period-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the fiscal period. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity. Currency translation adjustments resulted in a net gain of \$54.3 million for the three months ended March 31, 2017, primarily due to the strengthening of the Mexican Peso and Euro against the US dollar. Currency translation adjustments resulted in a net gain of \$40.0 million for the three months ended March 31, 2016, primarily due to the strengthening of the Euro against the US dollar at the end of the quarter.

12. Derivative Instruments

Mattel seeks to mitigate its exposure to foreign currency transaction risk by monitoring its foreign currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts. Mattel uses foreign currency forward exchange contracts as cash flow hedges primarily to hedge its purchases and sales of inventory denominated in foreign currencies. These contracts generally have maturity dates of up to 18 months. These derivative instruments have been designated as effective cash flow hedges, whereby the unsettled hedges are reported in Mattel's consolidated balance sheets at fair value, with changes in the fair value of the hedges reflected in other comprehensive income ("OCI"). Realized gains and losses for these contracts are recorded in the consolidated statements of operations in the period in which the inventory is sold to customers. Additionally, Mattel uses foreign currency forward exchange contracts to hedge intercompany loans and advances denominated in foreign currencies. Due to the short-term nature of the contracts involved, Mattel has not designated these contracts as hedging instruments, and as such, changes in fair value are recorded in the period of change in the consolidated statements of operations. As of March 31, 2017, March 31, 2016, and December 31, 2016, Mattel held foreign currency forward exchange contracts with notional amounts of approximately \$1.48 billion, \$1.22 billion, and \$1.20 billion, respectively.

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

		Derivative Assets		
		Balance Sheet Classification	Fair Value	
		March 31, 2017	March 31, 2016	December 31, 2016
(In thousands)				
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	\$ 12,198	\$ 3,748	\$ 18,747
Foreign currency forward exchange contracts	Other noncurrent assets	2,683	82	5,782
Total derivatives designated as hedging instruments		\$ 14,881	\$ 3,830	\$ 24,529
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	\$ 2,303	\$ 4,739	\$ 2,678
Total		\$ 17,184	\$ 8,569	\$ 27,207

		Derivative Liabilities		
		Balance Sheet Classification	Fair Value	
		March 31, 2017	March 31, 2016	December 31, 2016
(In thousands)				
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Accrued liabilities	\$ 7,808	\$ 11,352	\$ 1,917
Foreign currency forward exchange contracts	Other noncurrent liabilities	706	3,852	223
Total derivatives designated as hedging instruments		\$ 8,514	\$ 15,204	\$ 2,140
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Accrued liabilities	\$ 6,671	\$ 472	\$ 7,072
Total		\$ 15,185	\$ 15,676	\$ 9,212

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

For the Three Months Ended					
March 31, 2017			March 31, 2016		
Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations		Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	Statements of Operations Classification
(In thousands)					
Derivatives designated as hedging instruments					
Foreign currency forward exchange contracts	\$ (12,584)	\$ 2,229	\$ (15,893)	\$ 7,010	Cost of sales

The net gains of \$2.2 million and \$7.0 million reclassified from accumulated other comprehensive loss to the consolidated statements of operations for the three months ended March 31, 2017 and 2016, respectively, are offset by the changes in cash flows associated with the underlying hedged transactions.

	Amount of Gain (Loss) Recognized in the Statements of Operations		Statements of Operations Classification
	For the Three Months Ended		
	March 31, 2017	March 31, 2016	
(In thousands)			
Derivatives not designated as hedging instruments			
Foreign currency forward exchange contracts	\$ 25,569	\$ 23,592	Other non-operating income/expense
Foreign currency forward exchange contracts	386	1,125	Cost of sales
Total	\$ 25,955	\$ 24,717	

The net gains of \$26.0 million and \$24.7 million recognized in the consolidated statements of operations for the three months ended March 31, 2017 and 2016, respectively, are offset by foreign currency transaction gains and losses on the related hedged balances.

13. Fair Value Measurements

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

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 – Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 – Valuations based on inputs that are unobservable, supported by little or no market activity, and that are significant to the fair value of the assets or liabilities.

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

March 31, 2017				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Assets:				
Foreign currency forward exchange contracts (a)	\$ —	\$ 17,184	\$ —	\$ 17,184
Available-for-sale security (b)	13,624	—	—	13,624
Total assets	<u>\$ 13,624</u>	<u>\$ 17,184</u>	<u>\$ —</u>	<u>\$ 30,808</u>
Liabilities:				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$ 15,185</u>	<u>\$ —</u>	<u>\$ 15,185</u>
March 31, 2016				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Assets:				
Foreign currency forward exchange contracts (a)	\$ —	\$ 8,569	\$ —	\$ 8,569
Liabilities:				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$ 15,676</u>	<u>\$ —</u>	<u>\$ 15,676</u>
December 31, 2016				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Assets:				
Foreign currency forward exchange contracts (a)	\$ —	\$ 27,207	\$ —	\$ 27,207
Available-for-sale security (b)	14,939	—	—	14,939
Total assets	<u>\$ 14,939</u>	<u>\$ 27,207</u>	<u>\$ —</u>	<u>\$ 42,146</u>
Liabilities:				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$ 9,212</u>	<u>\$ —</u>	<u>\$ 9,212</u>

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

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

Other Financial Instruments

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

The estimated fair value of Mattel's long-term debt, including the current portion, was \$2.19 billion (compared to a carrying value of \$2.15 billion) as of March 31, 2017, \$2.15 billion (compared to a carrying value of \$2.10 billion) as of March 31, 2016, and \$2.18 billion (compared to a carrying value of \$2.15 billion) as of December 31, 2016. The estimated fair values have been calculated based on broker quotes or rates for the same or similar instruments and are classified as Level 2 within the fair value hierarchy.

14. Earnings Per Share

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

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

The following table reconciles earnings per common share for the three months ended March 31, 2017 and 2016:

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
(In thousands, except per share amounts)		
Basic:		
Net loss	\$ (113,231)	\$ (72,959)
Less: net loss allocable to participating RSUs (a)	—	—
Net loss available for basic common shares	\$ (113,231)	\$ (72,959)
Weighted average common shares outstanding	342,914	340,369
Basic net loss per common share	\$ (0.33)	\$ (0.21)
Diluted:		
Net loss	\$ (113,231)	\$ (72,959)
Less: net loss allocable to participating RSUs (a)	—	—
Net loss available for diluted common shares	\$ (113,231)	\$ (72,959)
Weighted average common shares outstanding	342,914	340,369
Weighted average common equivalent shares arising from:		
Dilutive stock options and non-participating RSUs	—	—
Weighted average number of common and potential common shares	342,914	340,369
Diluted net loss per common share	\$ (0.33)	\$ (0.21)

(a) During the three months ended March 31, 2017 and 2016, Mattel did not allocate its net loss to its participating RSUs as its participating RSUs are not obligated to share in Mattel's losses.

Mattel was in a net loss position during the three months ended March 31, 2017 and 2016, and, accordingly, all outstanding nonqualified stock options and non-participating RSUs were excluded from the calculation of diluted earnings per common share because their effect would be antidilutive.

15. Employee Benefit Plans

Mattel and certain of its subsidiaries have qualified and nonqualified retirement plans covering substantially all employees of these companies, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 4 to the Consolidated Financial Statements—Employee Benefit Plans" in its 2016 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	
	March 31, 2017	March 31, 2016
	(In thousands)	
Service cost	\$ 1,166	\$ 1,422
Interest cost	5,320	6,141
Expected return on plan assets	(5,733)	(6,473)
Amortization of prior service cost	8	8
Recognized actuarial loss	1,820	1,836
	\$ 2,581	\$ 2,934

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

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(In thousands)	
Service cost	\$ 1	\$ 13
Interest cost	255	286
Recognized actuarial loss	37	37
	\$ 293	\$ 336

During the three months ended March 31, 2017, Mattel made cash contributions totaling approximately \$2 million related to its defined benefit pension and postretirement benefit plans. During the remainder of 2017, Mattel expects to make additional cash contributions of approximately \$8 million.

16. Share-Based Payments

Mattel has various stock compensation plans, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 7 to the Consolidated Financial Statements—Share-Based Payments" in its 2016 Annual Report on Form 10-K. Under the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan, Mattel has the ability to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, RSUs, performance awards, dividend equivalent rights, and shares of common stock to officers, employees, and other persons providing services to Mattel. Stock options are granted with exercise prices at the fair market value of Mattel's common stock on the applicable grant date and expire no later than ten years from the date of grant. Both stock options and time-vesting RSUs generally provide for vesting over a period of three years from the date of grant.

In March 2017, the Compensation Committee approved a new long-term incentive program ("LTIP") for the performance cycle of January 1, 2017–December 31, 2019. As of March 31, 2017, Mattel has two long-term incentive programs in place: (i) a January 1, 2016–December 31, 2018 performance cycle, and (ii) a January 1, 2017–December 31, 2019 performance cycle.

For the January 1, 2017–December 31, 2019 LTIP performance cycle, Mattel granted performance-based restricted stock units ("Performance RSUs") under the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan to senior executives. Performance RSUs granted under this program will be earned based on the product of the initial target number of Performance RSUs multiplied by a performance factor based on a three-year average of annual achievements of Mattel's performance with respect to annual EPS targets for the performance cycle ("the 2017-2019 performance-related component") and then adjusted upward or downward based on Mattel's total shareholder return ("TSR") for the three-year performance cycle relative to the TSR realized by companies comprising the S&P 500 (the "2017-2019 market-related component"). The Performance RSUs under the 2017-2019 LTIP performance cycle have dividend equivalent rights that are converted to shares of Mattel common stock only when and to the extent the underlying Performance RSUs are earned and paid.

During the three months ended March 31, 2017, Mattel recognized no expense related to the 2017-2019 performance-related component or 2016-2018 performance-related component. Additionally, during the three months ended March 31, 2017, Mattel recognized no expense related to the 2017-2019 market-related component and \$0.1 million of expense related to the 2016-2018 market-related component. These amounts are included within RSU compensation expense in the table below.

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

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(In thousands)	
Stock option compensation expense	\$ 3,073	\$ 2,379
RSU compensation expense	9,598	9,985
	<u>\$ 12,671</u>	<u>\$ 12,364</u>

As of March 31, 2017, total unrecognized compensation cost related to unvested share-based payments totaled \$104.9 million and is expected to be recognized over a weighted-average period of 2.0 years.

Mattel uses treasury shares purchased under its share repurchase program to satisfy stock option exercises and the vesting of RSUs. Cash received for stock option exercises for the three months ended March 31, 2017 and 2016 was \$1.4 million and \$12.4 million, respectively.

17. Other Selling and Administrative Expenses

Other selling and administrative expenses include the following:

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(In thousands)	
Design and development	\$ 51,812	\$ 51,836
Identifiable intangible asset amortization	4,189	5,293

18. Foreign Currency Transaction Gains and Losses

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

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

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(In thousands)	
Operating loss	\$ (28,149)	\$ (11,842)
Other non-operating income (expense), net	16	(26,989)
Net transaction losses	<u>\$ (28,133)</u>	<u>\$ (38,831)</u>

In March 2016, the Venezuelan government revised its currency exchange platform to a dual system. The Sistema Complementario de Administración de Divisas ("SICAD") rate merged with the official exchange rate, becoming the new Tipo de Cambio Protegido ("DIPRO") exchange rate. The existing Marginal Currency System ("SIMADI") rate was renamed the Tipo de Cambio Complementario ("DICOM") exchange rate. During the three months ended March 31, 2016, Mattel changed its remeasurement rate from the official exchange rate to the new DICOM exchange rate and recognized an unrealized foreign currency exchange loss of approximately \$26 million in other non-operating (income) expense, net as a result of the change in the remeasurement rate.

19. Income Taxes

Mattel's benefit from income taxes was \$32.4 million and \$20.5 million for the three months ended March 31, 2017 and 2016, respectively. During the three months ended March 31, 2017 and 2016, Mattel recognized net discrete tax expense of \$0.5 million and \$0.2 million, respectively, primarily related to reassessments of prior years' tax liabilities based on the status of audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes.

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 \$11 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.

20. Contingencies

Litigation Related to Carter Bryant and MGA Entertainment, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 13, 2014, MGA filed a new, but virtually identical, trade secrets claim against Mattel in Los Angeles County Superior Court. In its complaint, MGA purports to seek damages in excess of \$1 billion. Mattel believes that MGA's claim should be barred as a matter of law, and intends to vigorously defend against it. On December 3, 2014, the Court overruled Mattel's request to dismiss MGA's case as barred as a result of prior litigation between the parties. In light of that ruling, Mattel believes that it is reasonably possible that damages in this matter could range from \$0 to approximately \$12.5 million. In addition, Mattel believes that if such damages are awarded, it is reasonably possible that pre-judgment interest, ranging from \$0 to approximately \$12.0 million, could be awarded. Mattel may be entitled to an offset against any damages awarded to MGA. Mattel has not quantified the amount of any such offset as it is not currently estimable. As Mattel believes a loss in this matter is reasonably possible but not probable, no liability has been accrued to date.

Litigation Related to Yellowstone do Brasil Ltda.

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

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

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

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

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

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

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

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

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

Mattel believes that it is reasonably possible that a loss in this matter could range from \$0 to approximately \$18.0 million. The high end of this range, approximately \$18.0 million, is based on the calculation of the current amount of the damages (reported in the first court-appointed examination report submitted in the lawsuit), and loss of profits (indicated in the complaint by Yellowstone), including interest, inflation, currency adjustments, plus attorney's fees. Mattel do Brasil will be entitled to offset its counterclaim award of approximately \$7.5 million, the current amount including inflation, and currency adjustment, against such loss. The existence of procedural matters that will be addressed to the Superior Court of Justice adds some uncertainty to the final outcome of the matter. Mattel do Brasil believes, however, that it has valid legal grounds for an appeal of the Appeals Court decision and currently does not believe that a loss is probable for this matter. Accordingly, a liability has not been accrued to date. Mattel do Brasil may be required by the Trial Court to place a bond for the full amount of the damage award in escrow pending an appeal decision by the Superior Court.

21. Segment Information

Mattel, through its subsidiaries, sells a broad variety of toy products which are grouped into four major brand categories:

Mattel Girls & Boys Brands—including Barbie® fashion dolls and accessories ("Barbie"), Monster High®, Ever After High®, Polly Pocket®, and DC Super Hero Girls™ (collectively "Other Girls"), Hot Wheels® and Matchbox® vehicles and play sets (collectively "Wheels"), and CARS®, DC Comics®, WWE® Wrestling, Minecraft®, Max Steel®, BOOMco.®, Toy Story®, and games and puzzles (collectively "Entertainment").

Fisher-Price Brands—including Fisher-Price®, Little People®, BabyGear™, Laugh & Learn®, and Imaginext® (collectively "Core Fisher-Price"), Thomas & Friends®, Dora the Explorer®, Mickey Mouse® Clubhouse, and Disney Jake and the Never Land Pirates® (collectively "Fisher-Price Friends"), and Power Wheels®.

American Girl Brands—including Truly Me®, Girl of the Year®, BeForever®, Bitty Baby®, and WellieWishers™. American Girl® Brands products are sold directly to consumers via its catalog, website, and proprietary retail stores, as well as sold directly to certain retailers.

Construction and Arts & Crafts Brands—including MEGA BLOKS® and RoseArt®.

Mattel's operating segments are: (i) North America, which consists of the US and Canada, (ii) International, and (iii) American Girl. The North America and International segments sell products in the Mattel Girls & Boys Brands, Fisher-Price Brands, and Construction and Arts & Crafts Brands categories, although some are developed and adapted for particular international markets.

Segment Data

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

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(In thousands)	
Revenues by Segment		
North America	\$ 362,318	\$ 490,522
International	366,336	374,804
American Girl	85,984	96,779
Gross sales	814,638	962,105
Sales adjustments	(79,020)	(92,706)
Net sales	<u>\$ 735,618</u>	<u>\$ 869,399</u>

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
	(In thousands)	
Segment (Loss) Income		
North America	\$ (19,340)	\$ 41,149
International	(24,842)	(17,362)
American Girl	(5,785)	3,387
Corporate and other expense (a)	(49,967)	27,174
Operating loss	(77,061)	(76,320)
Interest expense	(127,028)	(49,146)
Interest (income)	22,030	22,520
Other non-operating (income) expense, net	(2,466)	(2,360)
Loss before income taxes	(921)	24,173
	<u>\$ (145,671)</u>	<u>\$ (93,479)</u>

(a) Corporate and other expense includes severance and restructuring expenses of \$3.0 million and \$9.8 million for the three months ended March 31, 2017 and 2016, respectively, and share-based compensation expense of \$12.7 million and \$12.4 million for the three months ended March 31, 2017 and 2016, respectively.

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

	March 31, 2017	March 31, 2016	December 31, 2016
(In thousands)			
Assets by Segment			
North America	\$ 624,539	\$ 590,939	\$ 677,203
International	675,996	594,507	766,584
American Girl	150,373	114,026	154,924
	<u>1,450,908</u>	<u>1,299,472</u>	<u>1,598,711</u>
Corporate and other	125,691	146,918	130,304
Accounts receivable and inventories, net	<u>\$ 1,576,599</u>	<u>\$ 1,446,390</u>	<u>\$ 1,729,015</u>

The table below presents worldwide revenues by brand category:

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
(In thousands)		
Worldwide Revenues by Brand Category		
Mattel Girls & Boys Brands	\$ 441,064	\$ 527,854
Fisher-Price Brands	246,889	272,612
American Girl Brands	82,214	93,286
Construction and Arts & Crafts Brands	38,501	61,915
Other	5,970	6,438
Gross sales	<u>814,638</u>	<u>962,105</u>
Sales adjustments	(79,020)	(92,706)
Net sales	<u>\$ 735,618</u>	<u>\$ 869,399</u>

22. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance establishes a five-step model to achieve that core principle and also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 was originally effective for interim and annual reporting periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date*, which defers the effective date to annual reporting periods beginning after December 15, 2017. Early application is permitted after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations, and ASU 2016-10, *Identifying Performance Obligations and Licensing*, which clarifies the identification of performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients*, which clarifies guidance on assessing collectibility, presenting sales taxes and other similar taxes collected from customers, measuring noncash consideration, and certain transition matters. Mattel intends to adopt ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 (collectively, the "new revenue standards") using the modified retrospective transition method. Upon adoption, Mattel will recognize the cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings. Prior periods will not be retrospectively adjusted. Mattel is currently evaluating the impact of the adoption of the new revenue standards on its operating results and financial position.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a lease asset and lease liability on its balance sheet for all leases with a term greater than 12 months. ASU 2016-02 will be effective for interim and annual reporting periods beginning after December 15, 2018. Early application is permitted. Mattel is currently evaluating the impact of the adoption of ASU 2016-02 on its operating results and financial position.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which adds and clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-15 will be effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted. Mattel is currently evaluating the impact of the adoption of ASU 2016-15 on its operating results and financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*, which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 will be effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted. Mattel is currently evaluating the impact of the adoption of ASU 2016-16 on its operating results and financial position.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses and refines the definition of the term output. ASU 2017-01 will be effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted. Mattel is currently evaluating the impact of the adoption of ASU 2017-01 on its operating results and financial position.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*, which removes Step 2 from the goodwill impairment test. ASU 2017-04 will be effective for interim and annual reporting periods beginning after December 15, 2019. Early application is permitted after January 1, 2017. Mattel is currently evaluating the impact of the adoption of ASU 2017-04 on its operating results and financial position.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets*, which clarifies the scope on recently established guidance on nonfinancial asset derecognition as well as the accounting for partial sales of nonfinancial assets. ASU 2017-05 will be effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted but only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Mattel is currently evaluating the impact of the adoption of ASU 2017-05 on its operating results and financial position.

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires entities that sponsor defined benefit plans to (i) present service cost within operations, if such a subtotal is presented, (ii) other components of net benefit costs should be presented separately outside of income from operations, if such a subtotal is presented, and (iii) only the service cost component should be capitalized, when applicable. If a separate line item is not used, the line item in the income statement where the other components of net benefit costs are included must be disclosed. Further, gains and losses from curtailments and settlements, and the cost of certain termination benefits should be reported in the same manner as other components of net benefit cost. ASU 2017-07 will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. Early application is permitted as of the beginning of an annual period for which interim financial statements have not been issued. Mattel is currently evaluating the impact of the adoption of ASU 2017-07 on its operating results and financial statements.

23. Subsequent Event

On April 20, 2017, Mattel announced that its Board of Directors declared a second quarter dividend of \$0.38 per common share. The dividend is payable on June 9, 2017 to stockholders of record on May 19, 2017.

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

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

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

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

Overview

Mattel designs, manufactures, and markets a broad variety of toy products worldwide which are sold to its customers and directly to consumers. Mattel is the owner of a portfolio of global brands with untapped intellectual property potential. Mattel's products are among the most widely recognized toy products in the world. Mattel's portfolio of brands and products are grouped into four major brand categories:

Mattel Girls & Boys Brands—including Barbie fashion dolls and accessories ("Barbie"), Monster High, Ever After High, Polly Pocket, and DC Super Hero Girls (collectively "Other Girls"), Hot Wheels and Matchbox vehicles and play sets (collectively "Wheels"), and CARS, DC Comics, WWE Wrestling, Minecraft, Max Steel, BOOMco., Toy Story, and games and puzzles (collectively "Entertainment").

Fisher-Price Brands—including Fisher-Price, Little People, BabyGear, Laugh & Learn, and Imaginext (collectively "Core Fisher-Price"), Thomas & Friends, Dora the Explorer, Mickey Mouse Clubhouse, and Disney Jake and the Never Land Pirates (collectively "Fisher-Price Friends"), and Power Wheels.

American Girl Brands—including Truly Me, Girl of the Year, BeForever, Bitty Baby, and WellieWishers. American Girl Brands products are sold directly to consumers via its catalog, website, and proprietary retail stores, as well as sold directly to certain retailers.

Construction and Arts & Crafts Brands—including MEGA BLOKS and RoseArt.

In order to leverage Mattel's intellectual properties, as well as a number of premier licensed entertainment properties, and its capabilities as a world-class toy maker, management has established the following strategies:

First, Mattel is focused on embracing brand building, creativity, and innovation, and management will put a premium on speed and personal accountability. Management is focused on putting Mattel back on track for growth and improved profitability.

Additionally, Mattel is organizing around the following five strategic priorities:

- Build powerful brand franchises;
- Establish Toy Box as the partner of choice;
- Develop unmatched commercial excellence;
- Drive continuous cost improvement; and
- Build emerging market leadership.

First Quarter 2017 Overview

Mattel's performance during the first quarter of 2017 was below expectations. A greater than expected impact of the retail inventory overhang coming out of the holiday period and the resulting slower pace of retail reorders, mixed with a lighter entertainment slate, and unfavorable timing of the Easter holiday negatively impacted the results. Although first quarter earnings were below expectations, internal consumer takeaway analysis, tracked at wholesale, showed key core brands including Barbie, Fisher-Price, and Hot Wheels continuing to demonstrate strength in the marketplace. We are equally encouraged by our performance in emerging markets, particularly Asia Pacific and Latin America, which continue to show significant long-term potential.

Mattel's first quarter 2017 financial highlights include the following:

- Net sales in the first quarter of 2017 were \$735.6 million, down 15% as compared to first quarter of 2016 net sales of \$869.4 million.
- Gross sales in the first quarter of 2017 were \$814.6 million, down 15% as compared to first quarter of 2016 gross sales of \$962.1 million.
- Gross margin in the first quarter of 2017 was 37.9%, a decrease of 680 basis points from the first quarter of 2016.
- Operating loss in the first quarter of 2017 was \$127.0 million, as compared to operating loss of \$49.1 million in the first quarter of 2016.
- Loss per share in the first quarter of 2017 was \$0.33, as compared to loss per share of \$0.21 in the first quarter of 2016.

Results of Operations—First Quarter

Consolidated Results

Net sales for the first quarter of 2017 were \$735.6 million, a 15% decrease, as compared to \$869.4 million in the first quarter of 2016. Net loss for the first quarter of 2017 was \$113.2 million, or \$0.33 per diluted share, as compared to net loss of \$73.0 million, or \$0.21 per diluted share, in the first quarter of 2016. Net loss for the first quarter of 2017 was negatively impacted by lower gross profit, partially offset by lower other non-operating expenses, lower other selling and administrative expenses, and lower advertising and promotion expenses.

The following table provides a summary of Mattel's consolidated results for the first quarter of 2017 and 2016 (in millions, except percentage and basis point information):

	For the Three Months Ended					
	March 31, 2017		March 31, 2016		Year/Year Change	
	Amount	% of Net Sales	Amount	% of Net Sales	%	Basis Points of Net Sales
Net sales	\$ 735.6	100.0 %	\$ 869.4	100.0 %	-15 %	—
Gross profit	\$ 278.8	37.9 %	\$ 388.7	44.7 %	-28 %	-680
Advertising and promotion expenses	73.6	10.0 %	86.9	10.0 %	-15 %	—
Other selling and administrative expenses	332.2	45.2 %	350.9	40.4 %	-5 %	480
Operating loss	(127.0)	-17.3 %	(49.1)	-5.7 %	158 %	-1,160
Interest expense	22.0	3.0 %	22.5	2.6 %	-2 %	40
Interest (income)	(2.5)	-0.3 %	(2.4)	-0.3 %	4 %	—
Other non-operating (income) expense, net	(0.8)		24.3			
Loss before income taxes	\$ (145.7)	-19.8 %	\$ (93.5)	-10.8 %	56 %	-900

Sales

Net sales for the first quarter of 2017 were \$735.6 million, a 15% decrease, as compared to \$869.4 million in the first quarter of 2016.

The following table provides a summary of Mattel's consolidated gross sales by brand for the first quarter of 2017 and 2016:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
(In millions, except percentage information)				
Mattel Girls & Boys Brands:				
Barbie	\$ 123.4	\$ 141.1	-13 %	-1 %
Other Girls	47.8	72.4	-34 %	— %
Wheels	139.8	134.9	4 %	— %
Entertainment	130.1	179.5	-27 %	— %
	441.1	527.9	-16 %	— %
Fisher-Price Brands:				
Core Fisher-Price	166.8	178.3	-6 %	— %
Fisher-Price Friends	68.9	79.6	-13 %	-3 %
Other Fisher-Price	11.2	14.7	-24 %	— %
	246.9	272.6	-9 %	-1 %
American Girl Brands				
	82.2	93.3	-12 %	— %
Construction and Arts & Crafts Brands				
	38.5	61.9	-38 %	— %
Other				
	5.9	6.4		
Total Gross Sales	\$ 814.6	\$ 962.1	-15 %	— %
Sales Adjustments	(79.0)	(92.7)		
Total Net Sales	\$ 735.6	\$ 869.4	-15 %	— %

Gross sales were \$814.6 million in the first quarter of 2017, a decrease of \$147.5 million or 15%, as compared to \$962.1 million in the first quarter of 2016. The decrease in gross sales was primarily due to lower sales of Construction and Arts & Crafts, Other Girls, Entertainment, Barbie, Fisher-Price Friends, and American Girl products. Of the 38% decrease in Construction and Arts & Crafts gross sales, 36% was due to lower sales of MEGA BLOKS products. Of the 34% decrease in Other Girls gross sales, 32% was due to lower sales of Monster High products and 17% was due to lower sales of Ever After High products, partially offset by higher sales of DC Super Hero Girls products of 15%. Of the 27% decrease in Entertainment gross sales, 18% was due to lower sales of DC Comics products, 6% was due to lower sales of Minecraft products, and 3% was due to lower sales of WWE products, partially offset by higher sales of Cars products of 6%. The 13% decrease in Barbie gross sales was primarily due to fourth quarter inventory overhang. Of the 13% decrease in Fisher-Price Friends gross sales, 14% was due to lower sales of Thomas and Friends products and 6% was due to lower licensing income, partially offset by higher sales of Shimmer and Shine™ products of 8%. Of the 12% decrease in American Girl gross sales, 9% was due to lower sales of Truly Me products and 7% was due to lower sales of Girl of the Year products, partially offset by higher sales of Wellie Wishers and contemporary doll product lines of 8%.

Cost of Sales

Cost of sales as a percentage of net sales was 62.1% in the first quarter of 2017, as compared to 55.3% in the first quarter of 2016. Cost of sales decreased by \$23.9 million, or 5%, to \$456.8 million in the first quarter of 2017 from \$480.7 million in the first quarter of 2016, as compared to a 15% decrease in net sales. Within cost of sales, product and other costs decreased by \$16.4 million, or 4%, to \$366.4 million in the first quarter of 2017 from \$382.8 million in the first quarter of 2016; royalty expenses decreased by \$9.5 million, or 25%, to \$28.4 million in the first quarter of 2017 from \$37.9 million in the first quarter of 2016; freight and logistics expenses increased by \$2.0 million, or 3%, to \$62.0 million in the first quarter of 2017 from \$60.0 million in the first quarter of 2016.

Gross Margin

Gross margin decreased to 37.9% in the first quarter of 2017 from 44.7% in the first quarter of 2016. The decrease in gross margin was driven by higher obsolescence expense, the unfavorable impact of fixed cost absorption due to lower sales, lower licensing income, higher freight and logistics expenses, unfavorable product mix, unfavorable foreign currency, and higher product-related costs, partially offset by strategic pricing and cost savings initiatives.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily consist of: (i) media costs, which primarily include the media, planning, and buying fees for television, print, and online advertisements, (ii) non-media costs, which primarily include commercial and website production, merchandising, and promotional costs, (iii) retail advertising costs, which primarily include consumer direct catalogs, newspaper inserts, fliers, and mailers and (iv) generic advertising costs, which primarily include trade show costs. Advertising and promotion expenses as a percentage of net sales were flat at 10.0% in the first quarter of 2017 and 2016.

Other Selling and Administrative Expenses

Other selling and administrative expenses were \$332.2 million, or 45.2% of net sales, in the first quarter of 2017, as compared to \$350.9 million, or 40.4% of net sales, in the first quarter of 2016. The decrease in other selling and administrative expenses was primarily due to lower severance and restructuring charges of approximately \$7 million, savings from cost savings initiatives of approximately \$6 million, and a favorable impact from changes in currency exchange rates of approximately \$4 million.

Other Non-Operating (Income) Expense, Net

Other non-operating income was \$0.8 million in the first quarter of 2017, as compared to other non-operating expense of \$24.3 million in the first quarter of 2016. The change in other non-operating (income) expense, net was primarily due to the change in the remeasurement rate used by Mattel's Venezuelan subsidiary, which resulted in an unrealized foreign currency exchange loss of approximately \$26 million in the first quarter of 2016.

Provision for Income Taxes

Mattel's benefit from income taxes was \$32.4 million and \$20.5 million for the three months ended March 31, 2017 and 2016, respectively. During the three months ended March 31, 2017 and 2016, Mattel recognized net discrete tax expense of \$0.5 million and \$0.2 million, respectively, primarily related to reassessments of prior years' tax liabilities based on the status of audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes.

North America Segment

The following table provides a summary of Mattel's gross sales by brand for the North America segment for the first quarter of 2017 and 2016:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
(In millions, except percentage information)				
Mattel Girls & Boys Brands:				
Barbie	\$ 46.9	\$ 69.0	-32 %	— %
Other Girls	18.7	36.6	-49 %	— %
Wheels	62.5	69.0	-9 %	1 %
Entertainment	74.6	110.2	-32 %	— %
	202.7	284.8	-29 %	— %
Fisher-Price Brands:				
Core Fisher-Price	93.8	105.0	-11 %	— %
Fisher-Price Friends	28.2	40.6	-31 %	-1 %
Other Fisher-Price	11.1	14.5	-23 %	— %
	133.1	160.1	-17 %	— %
Construction and Arts & Crafts Brands	24.3	42.8	-43 %	1 %
Other	2.2	2.8		
Total Gross Sales	\$ 362.3	\$ 490.5	-26 %	— %
Sales Adjustments	(20.1)	(33.6)		
Total Net Sales	\$ 342.2	\$ 456.9	-25 %	— %

Gross sales for the North America segment were \$362.3 million in the first quarter of 2017, a decrease of \$128.2 million, or 26%, as compared to \$490.5 million in the first quarter of 2016. The decrease in the North America segment gross sales was primarily due to lower sales of Other Girls, Construction and Arts & Crafts, Entertainment, Barbie, Fisher-Price Friends, and Core Fisher-Price products. Of the 49% decrease in Other Girls gross sales, 38% was due to lower sales of Monster High products, 24% was due to lower sales of Ever After High products, and 7% was due to lower sales of Disney Princess® products, partially offset by higher sales of DC Super Hero Girls products of 10% and initial sales of Wonder Woman products of 8%. Of the 43% decrease in Construction and Arts & Crafts gross sales, 41% was due to lower sales of MEGA BLOKS products. Of the 32% decrease in Entertainment gross sales, 18% was due to lower sales of DC Comics products, 8% was due to lower sales of Minecraft products, 4% was due to lower sales of WWE products, and 4% was due to lower sales of Dinotrux® products, partially offset by higher sales of Cars products of 8%. The 32% decrease in Barbie gross sales was primarily due to fourth quarter inventory overhang. Of the 31% decrease in Fisher-Price Friends gross sales, 23% was due to lower sales of Thomas and Friends products, 12% was due to lower licensing income, and 6% was due to lower sales of other Nickelodeon® products, partially offset by higher sales of Shimmer and Shine products of 10%. Of the 11% decrease in Core Fisher-Price gross sales, 11% was due to lower sales of infant products. Cost of sales decreased 15% in the first quarter of 2017, as compared to a 25% decrease in net sales, primarily due to lower product and other costs. Gross margins in the first quarter of 2017 decreased as a result of the unfavorable impact of fixed cost absorption due to lower sales, higher obsolescence expense, lower licensing income, higher freight and logistics expenses, and unfavorable product mix.

North America segment loss increased by 147% to \$19.3 million in the first quarter of 2017, as compared to segment income of \$41.1 million in the first quarter of 2016, primarily due to lower gross profit, partially offset by lower advertising and promotion expenses.

International Segment

The following table provides a summary of percentage changes in net sales within the International segment in the first quarter of 2017 versus 2016:

	% Change in Net Sales as Reported	Currency Exchange Rate Impact
Total International Segment	-2 %	-1 %
Europe	-10 %	-4 %
Latin America	-1 %	2 %
Asia Pacific	17 %	-2 %

The following table provides a summary of percentage changes in gross sales within the International segment in the first quarter of 2017 versus 2016:

	% Change in Gross Sales as Reported	Currency Exchange Rate Impact
Total International Segment	-2 %	-2 %
Europe	-10 %	-3 %
Latin America	4 %	2 %
Asia Pacific	17 %	-1 %

The following table provides a summary of Mattel's gross sales by brand for the International segment for the first quarter of 2017 and 2016:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
(In millions, except percentage information)				
Mattel Girls & Boys Brands:				
Barbie	\$ 76.5	\$ 72.1	6 %	-2 %
Other Girls	29.1	35.7	-19 %	— %
Wheels	77.3	65.9	17 %	-1 %
Entertainment	55.5	69.4	-20 %	-3 %
	<u>238.4</u>	<u>243.1</u>	-2 %	-1 %
Fisher-Price Brands:				
Core Fisher-Price	73.0	73.3	— %	-1 %
Fisher-Price Friends	40.7	39.0	4 %	-7 %
Other Fisher-Price	0.1	0.2		
	<u>113.8</u>	<u>112.5</u>	1 %	-3 %
Construction and Arts & Crafts Brands	14.1	19.1	-26 %	-1 %
Other	—	0.1		
Total Gross Sales	<u>\$ 366.3</u>	<u>\$ 374.8</u>	-2 %	-2 %
Sales Adjustments	(54.8)	(55.5)		
Total Net Sales	<u>\$ 311.5</u>	<u>\$ 319.3</u>	-2 %	-1 %

Gross sales for the International segment were \$366.3 million in the first quarter of 2017, a decrease of \$8.5 million, or 2%, as compared to \$374.8 million in the first quarter of 2016, with an unfavorable impact from changes in currency exchange rates of 2 percentage points. The decrease in the International segment gross sales was primarily due to lower sales of Construction and Arts & Crafts, Entertainment, and Other Girls products, partially offset by higher sales of Wheels products. Of the 26% decrease in Construction and Arts & Crafts gross sales, 26% was due to lower sales of MEGA BLOKS products. Of the 20% decrease in Entertainment gross sales, 21% was due to lower sales of DC Comics products and 3% was due to lower sales of Minecraft products, partially offset by higher sales of Cars products of 4%. Of the 19% decrease in Other Girls gross sales, 28% was due to lower sales of Monster High products and 14% was due to lower sales of Disney Princess products, partially offset by higher sales of DC Super Hero Girls products of 21%. Of the 17% increase in Wheels gross sales, 14% was due to higher sales of Hot Wheels products and 3% was due to higher sales of Fast & Furious™ products. Cost of sales increased 9% in the first quarter of 2017, as compared to a 2% decrease in net sales, primarily due to higher product and other costs, partially offset by lower royalty expense. Gross margins in the first quarter of 2017 decreased as a result of higher obsolescence expense, lower licensing income, and unfavorable foreign currency, partially offset by strategic pricing.

International segment loss increased 43% to \$24.8 million in the first quarter of 2017, as compared to \$17.4 million in the first quarter of 2016, primarily due to lower gross profit and higher other selling and administrative expenses, partially offset by lower advertising and promotion expenses.

American Girl Segment

The following table provides a summary of Mattel's gross sales by brand for the American Girl segment for the first quarter of 2017 and 2016:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
(In millions, except percentage information)				
American Girl Segment:				
American Girl Brands	\$ 82.2	\$ 93.3	-12 %	— %
Construction and Arts & Crafts Brands	0.1	—		
Other Brands	3.7	3.5	4 %	-4 %
Total Gross Sales	\$ 86.0	\$ 96.8	-11 %	— %
Sales Adjustments	(4.1)	(3.6)		
Total Net Sales	\$ 81.9	\$ 93.2	-12 %	— %

Gross sales for the American Girl segment were \$86.0 million in the first quarter of 2017, a decrease of \$10.8 million, or 11%, as compared to \$96.8 million in the first quarter of 2016. The decrease in the American Girl segment gross sales was primarily due to lower sales of American Girl brands products. Of the 12% decrease in American Girl brands gross sales, 9% was due to lower sales of Truly Me products and 7% was due to lower sales of Girl of the Year products, partially offset by higher sales of Wellie Wishers and contemporary doll product lines of 8%. Cost of sales decreased 7% in the first quarter of 2017, as compared to a 12% decrease in net sales, primarily due to lower product and other costs. Gross margins in the first quarter of 2017 decreased as a result of higher obsolescence expense and unfavorable product mix.

American Girl segment loss increased 271% to \$5.8 million in the first quarter of 2017, as compared to segment income of \$3.4 million in the first quarter of 2016, primarily due to lower gross profit.

Income Taxes

Mattel's benefit from income taxes was \$32.4 million and \$20.5 million for the three months ended March 31, 2017 and 2016, respectively. During the three months ended March 31, 2017 and 2016, Mattel recognized net discrete tax expense of \$0.5 million and \$0.2 million, respectively, primarily related to reassessments of prior years' tax liabilities based on the status of audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes.

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 \$11 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.

Liquidity and Capital Resources

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

Of Mattel's \$381.9 million in cash and equivalents as of March 31, 2017, approximately \$265 million is held by foreign subsidiaries. Mattel may need to accrue and pay additional income taxes if some or all of the undistributed earnings of foreign subsidiaries were repatriated. Mattel does not intend nor foresee a need to repatriate undistributed earnings of foreign subsidiaries. Mattel has several liquidity options to fund its domestic operations and obligations, including investing and financing activities such as dividends, share repurchases, and debt service. Positive cash flows generated annually by its domestic operations, the Credit Facility, and access to both long-term and short-term public and private debt markets at highly competitive interest rates are available to fund domestic operations and obligations. If these sources are not adequate, Mattel also has the ability to repatriate highly taxed foreign earnings, receive repayment of intercompany loans to foreign subsidiaries, and/or distribute liquidating dividends from foreign subsidiaries, all of which would have a very nominal impact, if any, on Mattel's tax liabilities. Mattel believes that its policy to indefinitely reinvest the earnings of its foreign subsidiaries will not result in and is not reasonably likely to result in a material change to Mattel's liquidity position.

Current Market Conditions

Mattel is exposed to financial market risk resulting from changes in interest and foreign currency exchange rates. Mattel believes that it has ample liquidity to fund its business needs, including beginning of year cash and equivalents, cash flows from operations, and access to the commercial paper markets and its Credit Facility, which it uses for seasonal working capital requirements. As of March 31, 2017, Mattel had available incremental borrowing resources totaling \$1.42 billion under the Credit Facility, and Mattel has not experienced any limitations on its ability to access this source of liquidity. 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 the Company'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 collectibility risks, and customer terms and credit limits are adjusted, if necessary. Additionally, Mattel uses a variety of financial arrangements to ensure collectibility of accounts receivable of customers deemed to be a credit risk, including requiring letters of credit, factoring, purchasing various forms of credit insurance with unrelated third parties, or requiring cash in advance of shipment.

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.

Capital and Investment Framework

To guide future capital deployment decisions, with a goal of maximizing stockholder value, Mattel's Board of Directors established the following capital and investment framework:

- To maintain approximately \$800 million to \$1 billion in year-end cash available to fund a substantial portion of seasonal working capital;
- To maintain a year-end debt-to-capital ratio of about 35%;
- To invest approximately \$180 million to \$200 million in capital expenditures annually to maintain and grow the business;
- To make strategic opportunistic acquisitions; and
- To return excess funds to stockholders through dividends and share repurchases.

Over the long term, assuming annual cash flows from operating activities remain strong, Mattel plans to use its free cash flows to invest in strategic acquisitions and to return funds to stockholders through cash dividends and share repurchases. Mattel's share repurchase program has no expiration date and repurchases will take place from time to time, depending on market conditions. The ability to successfully implement the capital deployment plan is directly dependent on Mattel's ability to generate strong annual cash flows from operating activities. There is no assurance that Mattel will continue to generate strong annual cash flows from operating activities or achieve its targeted goals for investing activities.

Operating Activities

Cash flows used for operating activities were \$310.0 million in the first three months of 2017, as compared to \$89.3 million in the first three months of 2016. The cash flows used for operating activities increased primarily due to higher working capital usage and a higher net loss.

Investing Activities

Cash flows used for investing activities were \$44.7 million in the first three months of 2017, as compared to \$54.7 million in the first three months of 2016. The cash flows used for investing activities decreased primarily due to a decrease in payments for acquisitions and changes in foreign currency forward exchange contracts, partially offset by higher capital spending.

Financing Activities

Cash flows used for financing activities were \$142.6 million in the first three months of 2017, as compared to \$134.4 million in the first three months of 2016. The increase in cash flows used for financing activities was primarily driven by lower proceeds from the exercise of stock options.

Seasonal Financing

Mattel maintains and periodically amends or replaces its domestic unsecured committed revolving credit facility with a commercial bank group. The credit facility is used as a back-up to Mattel's commercial paper program, which is used as the primary source of financing for the seasonal working capital requirements of its domestic subsidiaries. The agreement governing the credit facility was amended and restated on June 8, 2015 to, among other things, (i) extend the maturity date of the credit facility to June 9, 2020, (ii) amend the definition of consolidated earnings before interest, taxes, depreciation, and amortization ("Consolidated EBITDA") used in calculating Mattel's financial ratio covenants and (iii) increase the maximum allowed consolidated debt-to-Consolidated EBITDA ratio to 3.50 to 1. The aggregate commitments under the credit facility remain at \$1.60 billion, with an "accordion feature," which allows Mattel to increase the aggregate availability under the credit facility to \$1.85 billion under certain circumstances. In addition, applicable interest rate margins remain within a range of 0.00% to 0.75% above the applicable base rate for base rate loans and 0.88% to 1.75% above the applicable LIBOR for Eurodollar rate loans, and commitment fees range from 0.08% to 0.25% of the unused commitments under the credit facility, in each case depending on Mattel's senior unsecured long-term debt rating.

Mattel is required to meet financial ratio covenants at the end of each quarter and fiscal year, using the formulae specified in the credit agreement to calculate the ratios. Mattel was in compliance with such covenants at the end of the three months ended March 31, 2017. As of March 31, 2017, Mattel's consolidated debt-to-Consolidated EBITDA ratio, as calculated per the terms of the credit agreement, was 3.04 to 1 (compared to a maximum allowed of 3.50 to 1), and Mattel's interest coverage ratio was 8.11 to 1 (compared to a minimum required of 3.50 to 1).

The agreement governing the credit facility is a material agreement, and failure to comply with the financial ratio covenants may result in an event of default under the terms of the credit facility. If Mattel were to default under the terms of the credit facility, its ability to meet its seasonal financing requirements could be adversely affected.

To finance seasonal working capital requirements of certain foreign subsidiaries, Mattel avails itself of individual short-term credit lines with a number of banks. Mattel expects to extend the majority of these credit lines throughout 2017.

Mattel believes its cash on hand, amounts available under its credit facility, and its foreign credit lines will be adequate to meet its seasonal financing requirements in 2017.

Financial Position

Mattel's cash and equivalents decreased \$487.6 million to \$381.9 million at March 31, 2017, as compared to \$869.5 million at December 31, 2016. The decrease was primarily due to working capital usage, dividend payments and purchases of tools, dies, and molds and other property, plant and equipment, partially offset by proceeds from foreign currency forward exchange contracts.

Accounts receivable decreased \$308.4 million to \$806.8 million at March 31, 2017, as compared to \$1.12 billion at December 31, 2016, primarily due to the seasonality of Mattel's business. Inventory increased \$156.0 million to \$769.8 million at March 31, 2017, as compared to \$613.8 million at December 31, 2016, primarily due to lower-than-expected sales volume in the first quarter of 2017 and higher inventory to meet expected future demand of new products related to CARS 3.

Accounts payable and accrued liabilities decreased \$362.0 million to \$931.7 million at March 31, 2017, as compared to \$1.29 billion at December 31, 2016. The decrease was primarily due to the timing and amount of payments for various liabilities, including royalties and advertising and promotion.

Noncurrent long-term debt decreased to \$1.88 billion at March 31, 2017 from \$2.13 billion at December 31, 2016 due to the reclassification of \$250.0 million of 2013 Senior Notes to current.

A summary of Mattel's capitalization is as follows:

	March 31, 2017		March 31, 2016		December 31, 2016	
	(In millions, except percentage information)					
2010 Senior Notes	\$	500.0	11 %	\$	500.0	10 %
2011 Senior Notes		300.0	6		300.0	6
2013 Senior Notes		250.0	5		500.0	10
2014 Senior Notes		500.0	11		500.0	10
2016 Senior Notes		350.0	8		—	7
Debt issuance costs		(15.0)	—		(14.6)	—
Total noncurrent long-term debt		1,885.0	41		1,785.4	43
Other noncurrent liabilities		449.0	10		474.3	9
Stockholders' equity		2,215.9	49		2,475.1	48
	\$	4,549.9	100 %	\$	4,734.8	100 %
					\$	4,988.2
						100 %

Mattel's debt-to-total capital ratio, including short-term borrowings and the current portion of long-term debt, increased from 45.7% at March 31, 2016 to 51.1% at March 31, 2017 as a result of higher debt and lower stockholders' equity.

Litigation

See Item 1 "Financial Statements—Note 20 to the Consolidated Financial Statements—Contingencies" of this Quarterly Report on Form 10-Q.

Application of Critical Accounting Policies and Estimates

Mattel's critical accounting policies and estimates are included in its Annual Report on Form 10-K for the year ended December 31, 2016 and did not change during the first three months of 2017.

New Accounting Pronouncements

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

Non-GAAP Financial Measures

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

Currency Exchange Rate Impact

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

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

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

Gross Sales

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

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

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

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
	(In millions, except percentage information)			
Net sales	\$ 735.6	\$ 869.4	-15 %	—%
Sales adjustments	79.0	92.7		
Gross sales	\$ 814.6	\$ 962.1	-15 %	—%

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

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
(In millions, except percentage information)				
Net sales	\$ 342.2	\$ 456.9	-25 %	—%
Sales adjustments	20.1	33.6		
Gross sales	\$ 362.3	\$ 490.5	-26 %	—%

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

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
(In millions, except percentage information)				
Net sales	\$ 311.5	\$ 319.3	-2 %	-1 %
Sales adjustments	54.8	55.5		
Gross sales	\$ 366.3	\$ 374.8	-2 %	-2 %

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

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	March 31, 2017	March 31, 2016		
(In millions, except percentage information)				
Net sales	\$ 81.9	\$ 93.2	-12 %	—%
Sales adjustments	4.1	3.6		
Gross sales	\$ 86.0	\$ 96.8	-11 %	—%

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, Brazilian real, and Russian ruble are the primary transactions that caused foreign currency transaction exposure for Mattel. Mattel seeks to mitigate its exposure to market risk by monitoring its foreign currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts primarily to hedge its purchase and sale of inventory and other intercompany transactions denominated in foreign currencies. These contracts generally have maturity dates of up to 18 months. For those intercompany receivables and payables that are not hedged, the transaction gains or losses are recorded in the consolidated statement of operations in the period in which the exchange rate changes as part of operating income or other non-operating income/expense, net based on the nature of the underlying transaction. Transaction gains or losses on hedged intercompany inventory transactions are recorded in the consolidated statement 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-US dollar functional currencies. Assets and liabilities of subsidiaries with non-US dollar functional currencies are translated into US dollars at fiscal period-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the fiscal period. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity. Mattel's primary currency translation exposures during the first three months of 2017 were related to its net investments in entities having functional currencies denominated in the Mexican peso and 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 US dollar Trade-Weighted Index would impact Mattel's net sales by approximately 0.5% and its full year earnings per share by approximately \$0.00 to \$0.01.

Venezuelan Operations

Since January 1, 2010, Mattel has accounted for Venezuela as a highly inflationary economy as the three-year cumulative inflation rate for Venezuela exceeded 100%. Accordingly, Mattel's Venezuelan subsidiary uses the US dollar as its functional currency, and monetary assets and liabilities denominated in Venezuelan bolívar fuerte ("BsF") generate income or expense for changes in value associated with foreign currency exchange rate fluctuations against the US dollar. From January 2010 through January 2013, Mattel's Venezuelan subsidiary used the Sistema de Transacciones con Títulos en Moneda Extranjera ("SITME") rate, which was quoted at 5.30 BsF per US dollar as of December 31, 2012, to remeasure monetary assets and liabilities denominated in BsF. During February 2013, the Central Bank of Venezuela revised its official exchange rate to 6.30 BsF per US dollar and eliminated the SITME rate.

During March 2013, the Venezuelan government introduced a complementary currency exchange system, the Sistema Complementario de Administración de Divisas 1 ("SICAD 1"). SICAD 1 was intended to function as an auction system, allowing entities in specific sectors to bid for US dollars to be used for specified import transactions. During February 2014, the Venezuelan government introduced an additional currency exchange system, the Sistema Complementario de Administración de Divisas 2 ("SICAD 2"), which was expected to provide a greater supply of US dollars from sources other than the Venezuelan government and increase participation to all sectors and companies.

During February 2015, the Venezuelan government announced the launch of a new three-tiered currency exchange platform, which included a new exchange system called the Marginal Currency System ("SIMADI"). The first tier was used for food, medicine, agriculture, and other essential goods and used an official exchange rate of 6.30 BsF per US dollar. The second tier was a merger of the SICAD 1 and SICAD 2 systems, which held periodic auctions for entities in specific sectors. The third tier was the new SIMADI system, which was intended to be a market-driven exchange that allowed for legal trading of foreign currency based on supply and demand.

During March 2016, the Venezuelan government further revised its currency exchange platform to a dual system. The SICAD rate merged with the official exchange rate, becoming the new Tipo de Cambio Protegido ("DIPRO") exchange rate, which was fixed at 10.00 BsF per US dollar. The existing SIMADI rate was renamed the Tipo de Cambio Complementario ("DICOM") exchange rate. The DIPRO rate is used for essential imports, such as food and medicine, whereas the DICOM rate is used for all other transactions. During the first quarter of 2016, Mattel changed its remeasurement rate from the official exchange rate to the new DICOM exchange rate. The change in the remeasurement rate resulted in an unrealized foreign currency exchange loss of approximately \$26 million, which was recognized in other non-operating income (expense), net in the consolidated statement of operations in the first quarter of 2016.

Mattel's Venezuelan subsidiary represented less than 0.01% of Mattel's consolidated net sales in the first three months of 2017 and had approximately \$1 million of net monetary assets denominated in BsF as of March 31, 2017. Venezuela currency matters, along with economic and political instability, continue to impact the operating results of Mattel's Venezuelan subsidiary. If the Venezuelan bolívar fuerte significantly devalues in the future, or if the economic or political conditions significantly worsen, Mattel may consider ceasing operations of its Venezuelan subsidiary, which could result in a pre-tax charge to its consolidated statement of operations of up to \$71 million.

United Kingdom Operations

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

Item 4. Controls and Procedures.*Evaluation of Disclosure Controls and Procedures*

As of March 31, 2017, Mattel's disclosure controls and procedures were evaluated, with the participation of Mattel's principal executive officer and principal financial officer, to assess whether they are effective in providing reasonable assurance that information required to be disclosed by Mattel in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and to provide reasonable assurance that such information is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. Based on this evaluation, Margaret H. Georgiadis, Mattel's principal executive officer, and Kevin M. Farr, Mattel's principal financial officer, concluded that these disclosure controls and procedures were effective as of March 31, 2017.

Changes in Internal Control Over Financial Reporting

During the quarter ended March 31, 2017, Mattel made no changes to its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The content of Part I, Item 1 “Financial Statements—Note 20 to the Consolidated Financial Statements—Contingencies” of this Quarterly Report on Form 10-Q is hereby incorporated by reference in its entirety in this Item 1.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed under Part I, Item 1A “Risk Factors” in Mattel’s 2016 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 first quarter of 2017, 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 first quarter of 2017:

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
January 1—31	14,972	\$ 26.50	—	\$ 203,016,273
February 1—28	8,915	25.82	—	203,016,273
March 1—31	34,160	25.34	—	203,016,273
Total	58,047	\$ 25.71	—	\$ 203,016,273

(1) The total number of shares purchased relates to 58,047 shares withheld from employees to satisfy minimum tax withholding obligations that occur upon vesting of restricted stock units. These shares were not purchased as part of a publicly announced repurchase plan or program.

(2) Mattel’s share repurchase program was first announced on July 21, 2003. On July 17, 2013, the Board of Directors authorized Mattel to increase its share repurchase program by \$500.0 million. At March 31, 2017, share repurchase authorizations of \$203.0 million had not been executed. Repurchases under the program will take place from time to time, depending on market conditions. Mattel’s share repurchase program has no expiration date.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
3.0	Restated Certificate of Incorporation of Mattel, Inc.	8-K	001-05647	99.0	May 21, 2007
3.1	Amended and Restated Bylaws of Mattel, Inc.	8-K	001-05647	3.1	January 30, 2017
4.0	Specimen Stock Certificate with respect to Mattel, Inc.	8-K	001-05647	4.0	August 3, 2007
10.1 ⁺	Letter Agreement between Mattel, Inc. and Margaret H. Georgiadis, dated January 11, 2017, regarding an offer of employment for the position of Chief Executive Officer	8-K	001-05647	10.1	January 17, 2017
10.2 ⁺	Participation Letter Agreement under the Mattel, Inc. Executive Severance Plan B between Mattel, Inc. and Margaret H. Georgiadis, dated January 11, 2017	8-K	001-05647	10.2	January 17, 2017
10.3 ⁺	Notice of Grant and Grant Agreement for February 8, 2017 make-whole grant of Restricted Stock Units ("RSUs") to Margaret H. Georgiadis under the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan ("Amended 2010 Plan")	10-K	001-05647	10.61	February 23, 2017
10.4 ⁺	Notice of Grant and Grant Agreement for February 8, 2017 new-hire grant of RSUs to Margaret H. Georgiadis under the Amended 2010 Plan	10-K	001-05647	10.62	February 23, 2017
10.5 ⁺	Notice of Grant and Grant Agreement for February 8, 2017 new-hire grant of Non-Qualified Stock Options to Margaret H. Georgiadis under the Amended 2010 Plan	10-K	001-05647	10.63	February 23, 2017
10.6 ⁺ *	Form of Grant Agreement as of March 20, 2017 for grants of Long-Term Incentive Program performance-based RSUs ("Performance Units") to senior executives under the Amended 2010 Plan				
10.7 ⁺ *	Form of Grant Agreement as of March 20, 2017 for grants of Performance Units to participants in the Mattel, Inc. Executive Severance Plan under the Amended 2010 Plan				
10.8 ⁺ *	Form of Grant Agreement as of March 20, 2017 for grants of Performance Units to participants in the Mattel, Inc. Executive Severance Plan B under the Amended 2010 Plan				
10.9 ⁺ *	Grant Agreement for March 20, 2017 grant of Performance Units to Christopher A. Sinclair under the Amended 2010 Plan				
10.10 ⁺ *	Grant Agreement for March 20, 2017 grant of Performance Units to Margaret H. Georgiadis under the Amended 2010 Plan				
12.0*	Computation of Ratio of Earnings to Fixed Charges				
31.0*	Certification of Principal Executive Officer dated April 27, 2017 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.1*	Certification of Principal Financial Officer dated April 27, 2017 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.0**	Certifications of Principal Executive Officer and Principal Financial Officer dated April 27, 2017 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	XBRL Instance Document				

101.SCH* XBRL Taxonomy Extension Schema Document
101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
101.LAB* XBRL Taxonomy Extension Label Linkbase Document
101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

+ *Management contract or compensatory plan or arrangement.*

* *Filed herewith.*

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

SIGNATURE

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

MATTEL, INC.
Registrant

By: _____ /s/ JOSEPH B. JOHNSON
Joseph B. Johnson
Senior Vice President and Corporate
Controller (Duly authorized officer and
chief accounting officer)

Date: April 27, 2017

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

This is a Grant Agreement (this “Grant Agreement”) between Mattel, Inc. (“Mattel”) and the individual (the “Holder”) named in the Notice of Grant of Restricted Stock Units (the “Notice”) attached hereto as the cover page of this Grant Agreement.

Recitals

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

Restricted Stock Units

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

2. **Performance Criteria.** Subject to the Holder’s continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Units on the Settlement Date determined based on the achievement of annual goals related to earnings per share (the “Company Performance Measure”) and the relative total shareholder return (“Relative TSR”) during the period beginning on January 1, 2017 and ending on December 31, 2019 (the “Performance Cycle”), in each case, as determined by the Committee; provided, that the number of earned Units cannot exceed Holder’s target number of Units if the Company’s absolute total shareholder return (“Absolute TSR,” and together with Relative TSR, “TSR”) during the Performance Cycle is not positive, as determined by the Committee.

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

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

- i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Units shall be forfeited as of the date of the Termination of Employment.
- ii. In the case of a Termination of Employment after June 30, 2017 (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause) or (b) as a result of the Holder's death or Disability, the number of Units earned shall be determined as follows: first, the Committee shall determine the number of Units earned based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle; and second, the number of Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.
- iii. In all other cases, the Units shall be forfeited as of the date of the Termination of Employment.

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

- i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Units will not be honored or assumed, or new rights that substantially preserve the terms of the Units substituted therefor, by the Holder's employer (or the parent of such employer) immediately following the Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target

award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).

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

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

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

7. **Payout of Units.** Within 15 business days following the Committee’s certification of the Company Performance Measure and TSR for the Performance Cycle in the fiscal year following the end of the Performance Cycle, but in no event later than March 15th of such fiscal year (the “Settlement Date”), subject to Section 9 below, the Company shall settle each earned Unit by delivering to the Holder one share of Common Stock or a cash payment equal to the Fair Market Value of a share of Common Stock, as the Company may in its sole discretion determine (and the Company may settle some Units in shares of Common Stock and some in cash). In the case of Units settled by delivery of shares of Common Stock, the Company shall (a) issue or cause to be delivered to the Holder (or the Holder’s Heir, as defined below, if applicable) one or more unlegended stock certificates representing such shares, or (b) cause a

book entry for such shares to be made in the name of the Holder (or the Holder's Heir, if applicable). In the case of the Holder's death, the cash and/or shares of Common Stock to be delivered in settlement of Units as described above shall be delivered to the Holder's beneficiary or beneficiaries (as designated in the manner determined by the Committee), or if no beneficiary is so designated or if no beneficiary survives the Holder, then the Holder's administrator, executor, personal representative, or other person to whom the Units are transferred by means of the Holder's will or the laws of descent and distribution (such beneficiary, beneficiaries or other person(s), the "Holder's Heir").

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

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

9. **Tax Withholding.** The Company shall withhold from the cash and/or Common Stock delivered in settlement of Units shares of Common Stock having a Fair Market Value on the Settlement Date, and/or cash, equal to the amount necessary to satisfy the minimum required withholding, if any, of any income tax, social tax, payroll tax or other required taxes, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion.

10. **Compliance with Law.**

- i. No shares of Common Stock shall be issued and delivered pursuant to a vested Unit unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.
- ii. If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with

its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.

- iii. If the Holder is a resident of or employed in a country other than the United States, the Holder agrees, as a condition to the grant of the Units, to repatriate all payments attributable to the shares of Common Stock and/or cash acquired under the Plan (including, but not limited to, dividends and any proceeds derived from the sale of the shares of Common Stock acquired pursuant to this Units) in accordance with local foreign exchange rules and regulations in the Holder's country of residence (and country of employment, if different). In addition, the Holder agrees to take any and all actions, and consents to any and all actions taken by Mattel, as may be required to allow Mattel to comply with local laws, rules and regulations in the Holder's country of residence (and country of employment, if different). Finally, the Holder agrees to take any and all actions that may be required to comply with the Holder's personal legal and tax obligations under local laws, rules and regulations in the Holder's country of residence (and country of employment, if different).
- iv. If the Holder is a resident of or employed in a country that is a member of the European Union, the grant of the Units and this Grant Agreement are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of the Units is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, Mattel, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to render it valid and enforceable to the full extent permitted under local law.
- v. Upon the issuance of shares of Common Stock in settlement of earned Units, Mattel may require the Holder to sell such shares at any time to the extent the Holder's continued holding of such shares is prohibited under applicable law or is administratively burdensome (in which case, this Grant Agreement shall provide Mattel with the authority to issue sales instructions in relation to such shares of Common Stock on the Holder's behalf).

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

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

13. **No Additional Rights.**

- i. Neither the granting of the Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under

applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.

- ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions and provisions of any such grants.
- iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section 4 above, if there is a Termination of Employment of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.
- iv. The Holder's participation in the Plan is voluntary. The value of the Units and any other awards granted under the Plan is an extraordinary item of compensation outside the scope of the Holder's employment (and the Holder's employment contract, if any). Any grant under the Plan, including the grant of the Units, is not part of the Holder's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.

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

15. **Data Privacy Consent.**

- i. The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing and transfer of such data in relation to the grant of the Units and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents and agrees (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.
- ii. The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any

shares of Common Stock or directorships held in the Company, details of all Units or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the Holder's participation in the Plan.

- iii. The Company will transfer Data as necessary for the purpose of implementation, administration and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, the United States or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.
- iv. The Holder may, at any time, exercise the Holder's rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and the Holder's participation in the Plan. The Holder may seek to exercise these rights by contacting the Holder's local HR manager.

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

17. **Effect of Grant Agreement on Individual Agreements.** Notwithstanding the provisions of any Individual Agreement, (i) in the case of a conflict between the terms of the Holder's Individual Agreement and this Grant Agreement, the terms of the Grant Agreement shall govern, and (ii) the vesting

and settlement of Units shall in all events occur in accordance with this Grant Agreement to the exclusion of any provisions contained in an Individual Agreement regarding the vesting or settlement of the Units, and any such Individual Agreement provisions shall have no force or effect with respect to the Units.

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

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

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

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

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

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

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

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

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

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

In addition to the terms of the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan (the "Plan") and the Grant Agreement for Long-Term Incentive Program Performance-Based Restricted Stock Units for Senior Executives (the "Grant Agreement"), the Units are subject to the following additional terms and conditions as set forth in this addendum to the extent Holder resides and/or is employed in one of the countries addressed herein (the "Addendum"). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Plan and the Grant Agreement. To the extent the Holder transfers residence and/or employment to another country, the special terms and conditions for such country as reflected in this Addendum (if any) will apply to the Holder to the extent Mattel determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the operation and administration of the Units and the Plan (or Mattel may establish alternative terms and conditions as may be necessary or advisable to accommodate the Holder's transfer).

Australia

1. Compliance with Law. Notwithstanding anything to the contrary in the Grant Agreement or the Plan, the Holder shall not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth) (the "Act"), any other provision of the Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.

Brazil

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

2. Extraordinary Item of Compensation. The Holder expressly recognizes and acknowledges that Holder's participation in the Plan is a result of the discretionary and unilateral decision of Mattel, as well as Holder's free and voluntary decision to participate in the Plan in accord with the terms and conditions of the Plan, the Grant Agreement, and this Addendum. As such, the Holder acknowledges and agrees that

Mattel may, in its sole discretion, amend and/or discontinue the Holder's participation in the Plan at any time and without any liability. The value of the Units is an extraordinary item of compensation outside the scope of the Holder's employment contract, if any. The Units are not part of the Holder's regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the local Affiliate in Brazil.

Canada

1. **English Language.** *The following provisions apply if the Holder is a resident of Quebec:*

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

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

China

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

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

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

2. **Exchange Control Obligations.** The Holder understands and agrees that, due to exchange control laws in China, the Holder will be required to immediately repatriate to China the sale of any shares

of Common Stock acquired at vesting of the Units and any dividends received in relation to the shares of Common Stock. The Holder further understands that, under local law, such repatriation of the cash proceeds will need to be effectuated through a special exchange control account established by Mattel or a Subsidiary or Affiliate in China, and the Holder hereby consents and agrees that the proceeds from the sale of shares of Common Stock acquired under the Plan and any dividends received in relation to the shares of Common Stock may be transferred to such special account prior to being delivered to the Holder. The proceeds may be paid to the Holder in U.S. dollars or local currency at Mattel's discretion. In the event the proceeds are paid to Holder in U.S. dollars, the Holder understands that he or she will be required to set up a U.S. dollar bank account in China and provide the bank account details to his or her employer and/or Mattel so that the proceeds may be deposited into this account. The Holder also understands and acknowledges that Mattel may face delays in distributing the proceeds to the Holder due to exchange control requirements in China. As a result, the Holder understands and acknowledges that neither Mattel nor his or her employer can be held liable for any delay in delivering the proceeds to the Holder.

If the proceeds are paid to the Holder in local currency, the Holder acknowledges that Mattel is under no obligation to secure any particular foreign exchange conversion rate and acknowledges that Mattel may face delays in converting the proceeds into local currency due to exchange control restrictions in China. The Holder agrees that Mattel cannot be held liable for any delay in delivering the proceeds to the Holder. The Holder agrees to bear any currency fluctuation risk between the time the shares of Common Stock are sold or dividends are paid and the time the (i) applicable taxes are converted to local currency and remitted to the tax authorities, and (ii) net proceeds are converted to local currency and distributed to the Holder through the special exchange control account.

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

France

1. **Nature of the Award.** The Units are not granted under the French specific regime provided by Articles L225-177-1 and seq. of the French commercial code.

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

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

Hong Kong

1. **IMPORTANT NOTICE.** If the Holder is a resident of Hong Kong, the following provisions apply, notwithstanding any other provision of this Grant Agreement: The contents of the Plan, the Notice, this Grant Agreement, the Addendum, the Plan and all other related materials pertaining to the Units and/or the Plan (the “Materials”) have not been reviewed by any regulatory authority in Hong Kong. The Holder is hereby advised to exercise caution in relation to the offer thereunder. If the Holder has any doubts about any of the contents of the Materials, the Holder should obtain independent professional advice.

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

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

Mexico

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

Netherlands

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

Russia

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

South Africa

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

By accepting the Units, the Holder agrees to notify Mattel’s local Affiliate in South Africa that employs the Holder of the amount of income realized upon settlement of the Units. If the Holder fails to advise

Mattel's local Affiliate in South Africa that employs the Holder of the income realized upon settlement of the Units, the Holder may be liable for a fine. The Holder will be responsible for paying any difference between the actual tax liability and the amount withheld.

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

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

Spain

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

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

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

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

This is a Grant Agreement (this “Grant Agreement”) between Mattel, Inc. (“Mattel”) and the individual (the “Holder”) named in the Notice of Grant of Restricted Stock Units (the “Notice”) attached hereto as the cover page of this Grant Agreement.

Recitals

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

Restricted Stock Units

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

2. **Performance Criteria.** Subject to the Holder’s continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Units on the Settlement Date determined based on the achievement of annual goals related to earnings per share (the “Company Performance Measure”) and the relative total shareholder return (“Relative TSR”) during the period beginning on January 1, 2017 and ending on December 31, 2019 (the “Performance Cycle”), in each case, as determined by the Committee; provided, that the number of earned Units cannot exceed Holder’s target number of Units if the Company’s absolute total shareholder return (“Absolute TSR,” and together with Relative TSR, “TSR”) during the Performance Cycle is not positive, as determined by the Committee.

3. **Dividend Equivalent Rights.** The Units are granted with Dividend Equivalent rights, as set forth in this Section 3. As of each payment date for any cash dividend or distribution with respect to

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

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

- i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Units shall be forfeited as of the date of the Termination of Employment. For purposes of this Grant Agreement, the Holder's Termination of Employment shall be considered to be for "Cause" if it is a termination for "Cause" pursuant to an Individual Agreement to which the Holder is a party that is then in effect or, if there is no Individual Agreement in effect that defines "Cause", "Cause" shall have the meaning set forth in the Plan.
- ii. In the case of a Termination of Employment after June 30, 2017 (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause) or (b) as a result of the Holder's death or Disability, the number of Units earned shall be determined as follows: first, the Committee shall determine the number of Units earned based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle; and second, the number of Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.
- iii. In the case of a Termination of Employment (a) by the Company other than for Cause (as defined in Section 4.i, above) or (b) by the Holder for Good Reason (as defined below), the number of Units earned shall be determined as follows: first, the Committee shall determine the number of Units earned based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle; and second, the number of Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date. For purposes of this Grant Agreement, the Holder's Termination of

Employment shall be considered for “Good Reason” if it is a termination for “Good Reason” pursuant to an Individual Agreement to which the Holder is a party that is then in effect.

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

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

- i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Units will not be honored or assumed, or new rights that substantially preserve the terms of the Units substituted therefor, by the Holder’s employer (or the parent of such employer) immediately following the Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).
- ii. If the Committee determines that the Units have been assumed and, before the Settlement Date, the Holder has a Termination of Employment by the Company without Cause or by the Holder for Good Reason within the 24-month period immediately following a Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Termination of Employment and TSR (calculated as if the most recently completed fiscal year prior to such Termination of Employment had been the end of the Performance Cycle).

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

6. **Termination, Rescission and Recapture.** The Holder specifically acknowledges that the Units and any shares of Common Stock or cash delivered in settlement thereof are subject to the provisions of Section 19 of the Plan, entitled “Termination, Rescission and Recapture,” which can cause the forfeiture of the Units and/or the recapture of any shares of Common Stock and/or cash delivered in settlement thereof and/or the proceeds of the sale of any such shares of Common Stock. Except as provided in the next sentence, as a condition of the settlement of Units, the Holder will be required to certify that he or she is in compliance with the terms and conditions of the Plan (including the conditions set forth in Section 19 of the Plan) and, if a Termination of Employment has occurred, to state the name and address of his or her then-current employer or any entity for which the Holder performs business services and his or her title, and shall identify any organization or business in which the Holder owns a greater-than-five-percent equity interest. Section 19 of the Plan is inapplicable, and accordingly such

certification shall not be required, after a Termination of Employment of the Holder that occurs within the 24-month period after a Change in Control.

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

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

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

9. **Tax Withholding.** The Company shall withhold from the cash and/or Common Stock delivered in settlement of Units shares of Common Stock having a Fair Market Value on the Settlement Date, and/or cash, equal to the amount necessary to satisfy the minimum required withholding, if any, of any income tax, social tax, payroll tax or other required taxes, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion.

10. **Compliance with Law.**

- i. No shares of Common Stock shall be issued and delivered pursuant to a vested Unit unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.
- ii. If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.

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

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

13. **No Additional Rights.**

- i. Neither the granting of the Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.
- ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions and provisions of any such grants.
- iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section 4 above, if there is a Termination of Employment of the Holder, the Holder shall

not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.

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

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

15. **Data Privacy Consent.**

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

- iii. The Company will transfer Data as necessary for the purpose of implementation, administration and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, the United States or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.
- iv. The Holder may, at any time, exercise the Holder's rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and the Holder's participation in the Plan. The Holder may seek to exercise these rights by contacting the Holder's local HR manager.

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

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

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

19. **No Advice Regarding Grant.** Mattel is not providing any tax, legal or financial advice, nor is Mattel making any recommendations, regarding the Holder's participation in the Plan or the

Holder's acquisition or sale of the underlying shares of Common Stock. The Holder is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

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

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

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

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

This is a Grant Agreement (this “Grant Agreement”) between Mattel, Inc. (“Mattel”) and the individual (the “Holder”) named in the Notice of Grant of Restricted Stock Units (the “Notice”) attached hereto as the cover page of this Grant Agreement.

Recitals

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

Restricted Stock Units

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

2. **Performance Criteria.** Subject to the Holder’s continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Units on the Settlement Date determined based on the achievement of annual goals related to earnings per share (the “Company Performance Measure”) and the relative total shareholder return (“Relative TSR”) during the period beginning on January 1, 2017 and ending on December 31, 2019 (the “Performance Cycle”), in each case, as determined by the Committee; provided, that the number of earned Units cannot exceed Holder’s target number of Units if the Company’s absolute total shareholder return (“Absolute TSR,” and together with Relative TSR, “TSR”) during the Performance Cycle is not positive, as determined by the Committee.

3. **Dividend Equivalent Rights.** The Units are granted with Dividend Equivalent rights, as set forth in this Section 3. As of each payment date for any cash dividend or distribution with respect to

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

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

- i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Units shall be forfeited as of the date of the Termination of Employment. For purposes of this Grant Agreement, the Holder's Termination of Employment shall be considered to be for "Cause" if it is a termination for "Cause" pursuant to an Individual Agreement to which the Holder is a party that is then in effect or, if there is no Individual Agreement in effect that defines "Cause", "Cause" shall have the meaning set forth in the Plan.
- ii. In the case of a Termination of Employment after June 30, 2017 (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause) or (b) as a result of the Holder's death or Disability, the number of Units earned shall be determined as follows: first, the Committee shall determine the number of Units earned based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle; and second, the number of Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.
- iii. In the case of a Termination of Employment by the Company other than for Cause (as defined in Section 4.i, above), the number of Units earned shall be determined as follows: first, the Committee shall determine the number of Units earned based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle; and second, the number of Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.

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

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

- i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Units will not be honored or assumed, or new rights that substantially preserve the terms of the Units substituted therefor, by the Holder's employer (or the parent of such employer) immediately following the Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).
- ii. If the Committee determines that the Units have been assumed and, before the Settlement Date, the Holder has a Termination of Employment by the Company without Cause or by the Holder for Good Reason (as defined below) within the 24-month period immediately following a Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Termination of Employment and TSR (calculated as if the most recently completed fiscal year prior to such Termination of Employment had been the end of the Performance Cycle).

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

6. **Termination, Rescission and Recapture.** The Holder specifically acknowledges that the Units and any shares of Common Stock or cash delivered in settlement thereof are subject to the provisions of Section 19 of the Plan, entitled "Termination, Rescission and Recapture," which can cause the forfeiture of the Units and/or the recapture of any shares of Common Stock and/or cash delivered in settlement thereof and/or the proceeds of the sale of any such shares of Common Stock. Except as provided in the next sentence, as a condition of the settlement of Units, the Holder will be required to certify that he or she is in compliance with the terms and conditions of the Plan (including the conditions

set forth in Section 19 of the Plan) and, if a Termination of Employment has occurred, to state the name and address of his or her then-current employer or any entity for which the Holder performs business services and his or her title, and shall identify any organization or business in which the Holder owns a greater-than-five-percent equity interest. Section 19 of the Plan is inapplicable, and accordingly such certification shall not be required, after a Termination of Employment of the Holder that occurs within the 24-month period after a Change in Control.

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

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

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

9. **Tax Withholding.** The Company shall withhold from the cash and/or Common Stock delivered in settlement of Units shares of Common Stock having a Fair Market Value on the Settlement Date, and/or cash, equal to the amount necessary to satisfy the minimum required withholding, if any, of any income tax, social tax, payroll tax or other required taxes, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is

permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion.

10. **Compliance with Law.**

- i. No shares of Common Stock shall be issued and delivered pursuant to a vested Unit unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.
- ii. If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.

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

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

13. **No Additional Rights.**

- i. Neither the granting of the Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.
- ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions and provisions of any such grants.

- iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section 4 above, if there is a Termination of Employment of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.
 - iv. The Holder's participation in the Plan is voluntary. The value of the Units and any other awards granted under the Plan is an extraordinary item of compensation outside the scope of the Holder's employment (and the Holder's employment contract, if any). Any grant under the Plan, including the grant of the Units, is not part of the Holder's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.
14. **Rights as a Stockholder.** Neither the Holder nor the Holder's Heir shall have any rights as a stockholder with respect to any shares represented by the Units unless and until shares of Common Stock have been issued in settlement thereof.
15. **Data Privacy Consent.**
- i. The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing and transfer of such data in relation to the grant of the Units and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents and agrees (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.
 - ii. The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Units or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the Holder's participation in the Plan.

- iii. The Company will transfer Data as necessary for the purpose of implementation, administration and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, the United States or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.
- iv. The Holder may, at any time, exercise the Holder's rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and the Holder's participation in the Plan. The Holder may seek to exercise these rights by contacting the Holder's local HR manager.

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

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

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

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

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

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

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

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

This is a Grant Agreement (this “Grant Agreement”) between Mattel, Inc. (“Mattel”) and the individual (the “Holder”) named in the Notice of Grant of Restricted Stock Units (the “Notice”) attached hereto as the cover page of this Grant Agreement.

Recitals

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

Restricted Stock Units

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

2. **Performance Criteria.** Subject to the Holder’s continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Units on the Settlement Date determined based on the achievement of annual goals related to earnings per share (the “Company Performance Measure”) and the relative total shareholder return (“Relative TSR”) during the period beginning on January 1, 2017 and ending on December 31, 2019 (the “Performance Cycle”), in each case, as determined by the Committee; provided, that the number of earned Units cannot exceed Holder’s target number of Units if the Company’s absolute total shareholder return (“Absolute TSR,” and together with Relative TSR, “TSR”) during the Performance Cycle is not positive, as determined by the Committee.

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

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

- i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Units shall be forfeited as of the date of the Termination of Employment.
- ii. In the case of a Termination of Employment after June 30, 2017 and before Mattel's 2018 Annual Meeting of Stockholders (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause) or (b) as a result of the Holder's death or Disability, the number of Units earned shall be determined as follows: first, the Committee shall determine the number of Units earned based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle; and second, the number of Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.
- iii. In the event the Holder remains employed through Mattel's 2018 Annual Meeting of Stockholders, the number of Units earned shall be determined based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.
- iv. In all other cases, the Units shall be forfeited as of the date of the Termination of Employment.

5. **Change in Control.** If a Change in Control occurs and the Holder has remained continuously employed by the Company until the earlier of Mattel's 2018 Annual Meeting of

Stockholders or at least immediately prior to the Change in Control, the Units shall not vest in accordance with the terms of Section 18 of the Plan and the number of Units earned shall be determined as follows:

- i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Units will not be honored or assumed, or new rights that substantially preserve the terms of the Units substituted therefor, by the Holder's employer (or the parent of such employer) immediately following the Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).
- ii. If the Committee determines that the Units have been assumed and, before the Settlement Date, the Holder has a Termination of Employment by the Company without Cause or by the Holder for Good Reason (as defined below) within the 24-month period immediately following a Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Termination of Employment and TSR (calculated as if the most recently completed fiscal year prior to such Termination of Employment had been the end of the Performance Cycle).

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

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

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

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

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

9. **Tax Withholding.** The Company shall withhold from the cash and/or Common Stock delivered in settlement of Units shares of Common Stock having a Fair Market Value on the Settlement Date, and/or cash, equal to the amount necessary to satisfy the minimum required withholding, if any, of any income tax, social tax, payroll tax or other required taxes, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion.

10. **Compliance with Law.**

- i. No shares of Common Stock shall be issued and delivered pursuant to a vested Unit unless and until all applicable registration requirements of the Securities Act of 1933, as amended, all applicable listing requirements of any national securities exchange on which the shares

of Common Stock is then listed, and all other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery, shall have been complied with and are in full force. In particular, the Committee may require certain investment (or other) representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.

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

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

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

13. **No Additional Rights.**

- i. Neither the granting of the Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.
- ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions and provisions of any such grants.
- iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section 4 above, if there is a Termination of Employment of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.

- iv. The Holder's participation in the Plan is voluntary. The value of the Units and any other awards granted under the Plan is an extraordinary item of compensation outside the scope of the Holder's employment (and the Holder's employment contract, if any). Any grant under the Plan, including the grant of the Units, is not part of the Holder's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.
- 14. **Rights as a Stockholder.** Neither the Holder nor the Holder's Heir shall have any rights as a stockholder with respect to any shares represented by the Units unless and until shares of Common Stock have been issued in settlement thereof.
- 15. **Data Privacy Consent.**
 - i. The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing and transfer of such data in relation to the grant of the Units and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents and agrees (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.
 - ii. The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Units or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the Holder's participation in the Plan.
 - iii. The Company will transfer Data as necessary for the purpose of implementation, administration and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, the United States or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive,

possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.

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

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

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

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

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

20. **Electronic Delivery.** Mattel will deliver any documents related to the Units and the Holder's participation in the Plan, or future awards that may be granted under the Plan, by electronic

means unless otherwise determined by Mattel in its sole discretion. The Holder hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Mattel or a third party designated by Mattel.

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

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

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

This is a Grant Agreement (this “Grant Agreement”) between Mattel, Inc. (“Mattel”) and the individual (the “Holder”) named in the Notice of Grant of Restricted Stock Units (the “Notice”) attached hereto as the cover page of this Grant Agreement.

Recitals

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

Restricted Stock Units

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

2. **Performance Criteria.** Subject to the Holder’s continuous employment through the Settlement Date and subject to Section 6 below, the Holder will earn a number of Units on the Settlement Date determined based on the achievement of annual goals related to earnings per share (the “Company Performance Measure”) and the relative total shareholder return (“Relative TSR”) during the period beginning on January 1, 2017 and ending on December 31, 2019 (the “Performance Cycle”), in each case, as determined by the Committee; provided, that the number of earned Units cannot exceed Holder’s target number of Units if the Company’s absolute total shareholder return (“Absolute TSR,” and together with Relative TSR, “TSR”) during the Performance Cycle is not positive, as determined by the Committee.

3. **Dividend Equivalent Rights.** The Units are granted with Dividend Equivalent rights, as set forth in this Section 3. As of each payment date for any cash dividend or distribution with respect to

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

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

- i. In the case of a termination of the Holder's employment with the Company (a "Termination of Employment") by the Company for Cause, the Units shall be forfeited as of the date of the Termination of Employment. For purposes of this Grant Agreement, the Holder's Termination of Employment shall be considered to be for "Cause" if it is a termination for "Cause" pursuant to an Individual Agreement to which the Holder is a party that is then in effect or, if there is no Individual Agreement in effect that defines "Cause", "Cause" shall have the meaning set forth in the Plan.
- ii. In the case of a Termination of Employment after June 30, 2017 (a) at a time when the Holder has attained at least 55 years of age and completed at least five Years of Service (other than as a result of a Termination of Employment by the Company for Cause) or (b) as a result of the Holder's death or Disability, the number of Units earned shall be determined as follows: first, the Committee shall determine the number of Units earned based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle; and second, the number of Units so obtained shall be multiplied by a fraction, the numerator of which is the total number of full months elapsed from the first day of the Performance Cycle to the date of the Holder's Termination of Employment and the denominator of which is the total number of months in the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date.
- iii. In the case of a Termination of Employment (a) by the Company other than for Cause (as defined in Section 4.i, above) or (b) by the Holder for Good Reason (as defined below), the number of Units earned shall be determined based on actual achievement of the Company Performance Measure and TSR following the end of the Performance Cycle. Such number of Units shall then be settled in accordance with Section 7 as for all other holders whose awards are settled on the Settlement Date. For purposes of this Grant Agreement, the Holder's Termination of Employment shall be considered to be for "Good Reason" if it is a termination for "Good Reason" pursuant to an Individual Agreement to which the Holder is a party that is then in effect.

- iv. In all other cases, the Units shall be forfeited as of the date of the Termination of Employment.
- 5. **Change in Control.** If a Change in Control occurs and the Holder has remained continuously employed by the Company until at least immediately prior to the Change in Control, the Units shall not vest in accordance with the terms of Section 18 of the Plan and the number of Units earned shall be determined as follows:
 - i. If the Committee reasonably determines in good faith, prior to the occurrence of the Change in Control, that the Units will not be honored or assumed, or new rights that substantially preserve the terms of the Units substituted therefor, by the Holder's employer (or the parent of such employer) immediately following the Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Change in Control and TSR (calculated as if the most recently completed fiscal year prior to such Change in Control had been the end of the Performance Cycle).
 - ii. If the Committee determines that the Units have been assumed and, before the Settlement Date, the Holder has a Termination of Employment by the Company without Cause or by the Holder for Good Reason within the 24-month period immediately following a Change in Control, the number of Units earned shall equal the greater of (a) the number that equals 100% of the target award level payout and (b) the number that would have been earned based on actual achievement of the Company Performance Measure through the most recently completed fiscal year prior to such Termination of Employment and TSR (calculated as if the most recently completed fiscal year prior to such Termination of Employment had been the end of the Performance Cycle).

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

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

7. **Payout of Units.** Within 15 business days following the Committee's certification of the Company Performance Measure and TSR for the Performance Cycle in the fiscal year following the end of the Performance Cycle, but in no event later than March 15th of such fiscal year (the "Settlement")

Date”), subject to Section 9 below, the Company shall settle each earned Unit by delivering to the Holder one share of Common Stock or a cash payment equal to the Fair Market Value of a share of Common Stock, as the Company may in its sole discretion determine (and the Company may settle some Units in shares of Common Stock and some in cash). In the case of Units settled by delivery of shares of Common Stock, the Company shall (a) issue or cause to be delivered to the Holder (or the Holder’s Heir, as defined below, if applicable) one or more unlegended stock certificates representing such shares, or (b) cause a book entry for such shares to be made in the name of the Holder (or the Holder’s Heir, if applicable). In the case of the Holder’s death, the cash and/or shares of Common Stock to be delivered in settlement of Units as described above shall be delivered to the Holder’s beneficiary or beneficiaries (as designated in the manner determined by the Committee), or if no beneficiary is so designated or if no beneficiary survives the Holder, then the Holder’s administrator, executor, personal representative, or other person to whom the Units are transferred by means of the Holder’s will or the laws of descent and distribution (such beneficiary, beneficiaries or other person(s), the “Holder’s Heir”).

8. **Code Section 409A.** Mattel intends that the Units not constitute “deferred compensation” within the meaning of Section 409A of the Code, and this Grant Agreement shall be interpreted based on such intent. If Mattel determines after the Grant Date that an amendment to this Grant Agreement is necessary or advisable so that the Units will not be subject to Section 409A of the Code, or alternatively so that they comply with Section 409A of the Code, it may make such amendment, effective as of the Grant Date or at any later date, without the consent of the Holder.

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

9. **Tax Withholding.** The Company shall withhold from the cash and/or Common Stock delivered in settlement of Units shares of Common Stock having a Fair Market Value on the Settlement Date, and/or cash, equal to the amount necessary to satisfy the minimum required withholding, if any, of any income tax, social tax, payroll tax or other required taxes, rounded up to the nearest whole number of shares (unless higher withholding is permissible without adverse accounting consequences to Mattel). If any such taxes are required to be withheld at a date earlier than the Settlement Date, then notwithstanding any other provision of this Grant Agreement, the Company may (i) satisfy such obligation by causing the forfeiture of a number of Units having a Fair Market Value, on such earlier date, equal to the amount necessary to satisfy the minimum required amount of such withholding (unless higher withholding is permissible without adverse accounting consequences to Mattel), or (ii) make such other arrangements with the Holder for such withholding as may be satisfactory to the Company in its sole discretion.

10. **Compliance with Law.**

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

representations and undertakings in connection with the issuance of securities in connection with the Plan in order to comply with applicable law.

- ii. If any provision of this Grant Agreement is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law. Furthermore, if any provision of this Grant Agreement is determined to be illegal under any applicable law, such provision shall be null and void to the extent necessary to comply with applicable law, but the other provisions of this Grant Agreement shall remain in full force and effect.
11. **Assignability.** The Units shall not be transferable by the Holder, other than upon the death of the Holder in accordance with such beneficiary designation procedures or other procedures as Mattel may prescribe from time to time.
 12. **Certain Corporate Transactions.** In the event of certain corporate transactions, the Units shall be subject to adjustment as provided in Section 17 of the Plan. In the event of a Change in Control, these Units shall be subject to the provisions of Section 18 of the Plan.
 13. **No Additional Rights.**
 - i. Neither the granting of the Units nor their vesting or settlement shall (i) affect or restrict in any way the power of Mattel to take any and all actions otherwise permitted under applicable law, (ii) confer upon the Holder the right to continue in the employment of or performing services for the Company, or (iii) interfere in any way with the right of the Company to terminate the services of the Holder at any time, with or without Cause.
 - ii. The Holder acknowledges that (i) this is a one-time grant, (ii) the making of this grant does not mean that the Holder will receive any similar grant or grants in the future, or any future grants at all, (iii) the Plan and the benefits the Holder may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Company, (iv) any modifications or amendments of the Plan by Mattel, or a termination of the Plan by Mattel, shall not constitute a change or impairment of the terms and conditions of the Holder's employment with the Company, and (v) this grant does not in any way entitle the Holder to future grants under the Plan, if any, and Mattel retains sole and absolute discretion as to whether to make any additional grants to the Holder in the future and, if so, the quantity, terms, conditions and provisions of any such grants.
 - iii. Without limiting the generality of subsections (a) and (b) immediately above and subject to Section 4 above, if there is a Termination of Employment of the Holder, the Holder shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit relating to the Units or under the Plan which he or she might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise.
 - iv. The Holder's participation in the Plan is voluntary. The value of the Units and any other awards granted under the Plan is an extraordinary item of compensation outside the scope of the Holder's employment (and the Holder's employment contract, if any). Any grant

under the Plan, including the grant of the Units, is not part of the Holder's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.

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

15. **Data Privacy Consent.**

- i. The Company hereby notifies the Holder of the following in relation to the Holder's personal data and the collection, processing and transfer of such data in relation to the grant of the Units and the Holder's participation in the Plan, pursuant to applicable personal data protection laws. The collection, processing and transfer of the Holder's personal data is necessary for Mattel's administration of the Plan and the Holder's participation in the Plan, and the Holder's denial and/or objection to the collection, processing and transfer of personal data may affect the Holder's ability to participate in the Plan. As such, the Holder voluntarily acknowledges, consents and agrees (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.
- ii. The Company holds certain personal information about the Holder, including (but not limited to) the Holder's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all Units or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by the Holder or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan. The data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which the Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations in the Holder's country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. The Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the Holder's participation in the Plan.
- iii. The Company will transfer Data as necessary for the purpose of implementation, administration and management of the Holder's participation in the Plan, and the Company may further transfer Data to any third parties assisting Mattel in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, the United States or elsewhere throughout the world. The Holder hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing the Holder's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan

and/or the subsequent holding of shares of Common Stock on the Holder's behalf to a broker or other third party with whom the Holder may elect to deposit any shares of Common Stock acquired pursuant to the Plan.

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

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

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

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

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

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

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

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

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

(Unaudited; in thousands, except ratios)	For the Three Months Ended March 31, 2017	For the Years Ended December 31,				
		2016	2015	2014	2013	2012
(Loss) Earnings Available for Fixed Charges:						
(Loss) income from continuing operations before income taxes	\$ (145,671)	\$ 409,742	\$ 463,915	\$ 586,910	\$ 1,099,128	\$ 945,045
Add:						
Interest expense	22,030	95,118	85,270	79,271	78,505	88,835
Appropriate portion of rents (a)	10,356	36,708	38,297	40,291	37,006	33,736
(Loss) earnings available for fixed charges	\$ (113,285)	\$ 541,568	\$ 587,482	\$ 706,472	\$ 1,214,639	\$ 1,067,616
Fixed Charges:						
Interest expense	\$ 22,030	\$ 95,118	\$ 85,270	\$ 79,271	\$ 78,505	\$ 88,835
Appropriate portion of rents (a)	10,356	36,708	38,297	40,291	37,006	33,736
Fixed charges	\$ 32,386	\$ 131,826	\$ 123,567	\$ 119,562	\$ 115,511	\$ 122,571
Ratio of (loss) earnings to fixed charges	(b)	4.11 X	4.75 X	5.91 X	10.52 X	8.71 X

(a) Portion of rental expenses that is deemed representative of an interest factor, which is one-third of total rental expense.

(b) Earnings for the three months ended March 31, 2017 were inadequate to cover fixed charges by \$145.7 million.

