



Virtual Investor Presentation 2023

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Cautionary Note Regarding Forward-Looking Statements / Regulation G



This presentation contains a number of forward-looking statements, which are statements that relate to the future and are, by their nature, uncertain. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include statements regarding Mattel's guidance and goals for future periods and other future events. The use of words such as "anticipates," "expects," "intends," "plans," "projects," "look forward," "confident that," "believes," and "targeted," among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic, and other information and assumptions, and are subject to a number of significant risks and uncertainties. A variety of factors, many of which are beyond Mattel's control, could cause actual future results to differ materially from those projected in the forward-looking statements.

Specific factors that might cause such a difference include, but are not limited to: (i) Mattel's ability to design, develop, produce, manufacture, source, ship, and distribute products on a timely and cost-effective basis; (ii) sufficient interest in and demand for the products and entertainment Mattel offers by retail customers and consumers to profitably recover Mattel's costs; (iii) downturns in economic conditions affecting Mattel's markets which can negatively impact retail customers and consumers, and which can result in lower employment levels and lower consumer disposable income and spending, including lower spending on purchases of Mattel's products; (iv) other factors which can lower discretionary consumer spending, such as higher costs for fuel and food, drops in the value of homes or other consumer assets, and high levels of consumer debt; (v) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (vi) other economic and public health conditions or regulatory changes in the markets in which Mattel and its customers and suppliers operate, which could create delays or increase Mattel's costs, such as higher commodity prices, labor costs or transportation costs, or outbreaks of disease; (vii) the effect of inflation on Mattel's business, including cost inflation in supply chain inputs and increased labor costs, as well as pricing actions taken in an effort to mitigate the effects of inflation; (viii) currency fluctuations, including movements in foreign exchange rates, which can lower Mattel's net revenues and earnings, and significantly impact Mattel's costs; (ix) the concentration of Mattel's customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel's customers, such as bankruptcies or liquidations or a general lack of success, or changes in their purchasing or selling patterns; (x) the inventory policies of Mattel's retail customers, as well as the concentration of Mattel's revenues in the second half of the year, which coupled with reliance by retailers on quick response inventory management techniques increases the risk of underproduction, overproduction, and shipping delays; (xi) legal, reputational, and financial risks related to security breaches or cyberattacks; (xii) work disruptions, including as a result of supply chain disruption such as plant or port closures, which may impact Mattel's ability to manufacture or deliver product in a timely and cost-effective manner; (xiii) the impact of competition on revenues, margins, and other aspects of Mattel's business, including the ability to offer products that consumers choose to buy instead of competitive products, the ability to secure, maintain, and renew popular licenses from licensors of entertainment properties, and the ability to attract and retain talented employees and adapt to evolving workplace models; (xiv) the risk of product recalls or product liability suits and costs associated with product safety regulations; (xv) changes in laws or regulations in the United States and/or in other major markets, such as China, in which Mattel operates, including, without limitation, with respect to taxes, tariffs, trade policies, or product safety, which may increase Mattel's product costs and other costs of doing business, and reduce Mattel's earnings and liquidity; (xvi) business disruptions or other unforeseen impacts due to economic instability, political instability, civil unrest, armed hostilities (including the impact of the war in Ukraine), natural and manmade disasters, or other catastrophic events; (xvii) failure to realize the planned benefits from any investments or acquisitions made by Mattel; (xviii) the impact of other market conditions or third party actions or approvals, including those that result in any significant failure, inadequacy, or interruption from vendors or outsourcers, which could reduce demand for Mattel's products, delay or increase the cost of implementation of Mattel's programs, or alter Mattel's actions and reduce actual results; (xix) changes in financing markets or the inability of Mattel to obtain financing on attractive terms; (xx) the impact of litigation, arbitration, or regulatory decisions or settlement actions; (xxi) Mattel's ability to navigate regulatory frameworks in connection with new areas of investment, product development, or other business activities, such as non-fungible tokens and cryptocurrency; and (xxii) other risks and uncertainties as may be described in Mattel's filings with the Securities and Exchange Commission, including the "Risk Factors" section of Mattel's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and subsequent periodic filings, as well as in Mattel's other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law.

To supplement our financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures that Mattel uses in this presentation may include Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Other Selling and Administrative Expenses, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) Margin, Adjusted Earnings (Loss) Per Share, earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA, Free Cash Flow, Free Cash Flow Conversion (Free Cash Flow/Adjusted EBITDA), Leverage Ratio (Total Debt/Adjusted EBITDA), Net Debt, Adjusted Tax Rate, and constant currency. Mattel uses these measures to analyze its continuing operations and to monitor, assess and identify meaningful trends in its operating and financial performance, and each is discussed below. Mattel believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of Mattel'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. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are attached to this presentation as an appendix. In addition, Mattel presents changes in gross billings, a key performance indicator, as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business. Changes in gross billings are discussed because, while Mattel records the details of sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with categories, brands, and individual products.

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YNON KREIZ

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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Company Recap
2017-2022



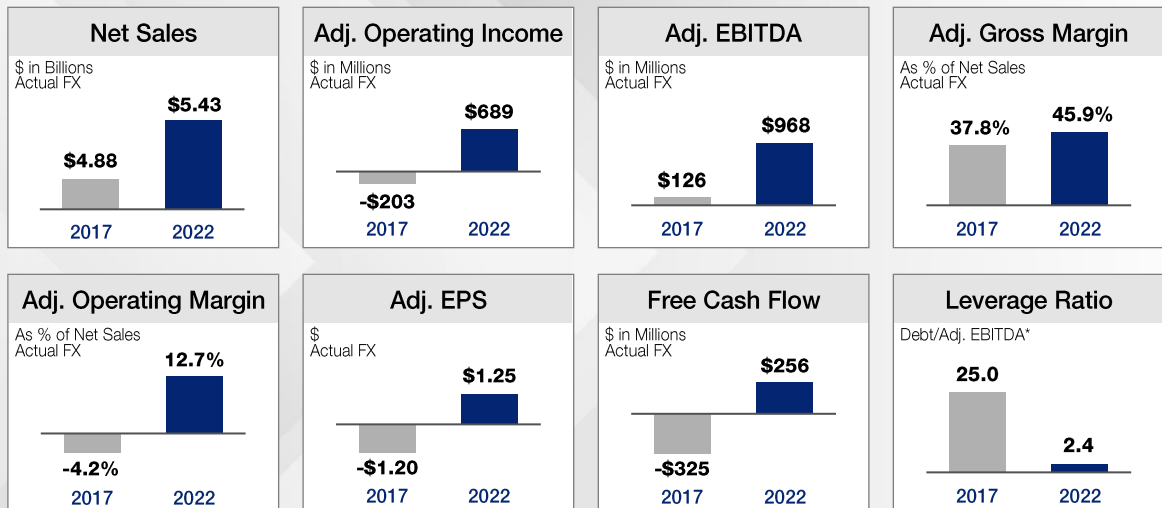
Fundamentally Different Company

Stronger
More Productive
Higher Performing

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Company Recap
2017-2022 Key Financial Metrics



* Note: Includes Short-term Borrowings and Long-term Debt.
Source: Please see Appendix – Reconciliation of Non-GAAP Financial Measures and
Glossary of Non-GAAP Financial Measures & Key Performance Indicators

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Comparing 2022 to 2019

Net sales up more than 20%
in constant currency

Adjusted EBITDA more than doubled

Adjusted operating income
more than quadrupled

Source: Please see Appendix—Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicators

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Established Category Management Structure

Grow Business

Gain Market Share

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Company Recap
2017-2022



Elevated Design Function

Amplify Creativity
and Innovation

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Company Recap
2017-2022



Restructured Supply Chain

Increase Productivity
Optimize Resources

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Broadened Portfolio

Relaunched Owned Franchises



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Expanded Relationships



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Company Recap
2017-2022



Reshaped Commercial Teams

Growing Retail Footprint

Establishing Industry
Leading e-commerce
Capabilities

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Company Recap
2017-2022



Optimized Operations

Reduced Non-
Manufacturing Workforce

Achieved \$1.2 Billion
of Cost Savings

Source: Mattel Internal Analysis

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Built Results-Oriented Organization

World-Class
Leadership Team

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Advanced ESG Goals

Sustainable Design and Development

Develop innovative products and experiences that are better for our world by integrating sustainable materials and principles of product stewardship and circular design

Responsible Sourcing and Production

Optimize our resource use in operations to reduce environmental impact and promote ethical sourcing practices and worker health and safety throughout our supply chain

Thriving and Inclusive Communities

Create positive social impact through purposeful play and by supporting diverse, equitable, and inclusive communities where we live, work, and play

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Advanced ESG Goals

We aim to contribute to a more diverse, equitable, inclusive, and sustainable future

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Workplace Excellence

Highest Employee Engagement Scores
Award Winning Organization



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Our Purpose

**To empower the next generation
to explore the wonder of childhood
and reach their full potential**

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Our Mission

**To create innovative products and
experiences that inspire, entertain,
and develop children through play**

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Industry Overview

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**Play
is Here
to Stay**

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Industry Overview



2022 Equaled 2021 Record Year

Two Years Double-Digit Growth 2020-2021

+22% 2019 to 2022

Sources: The NPD Group/Retail Tracking Service/G11/JAN-DEC 2021-2022/
Total Toys/Projected USD

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Industry Overview



**Mattel
Industry Expectations**

2023 Flat to Slightly Up
Growth Over Time

Source: Mattel Internal Analysis

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Mattel's Aim

Outpace the Industry
Gain Market Share

Source: Mattel Internal Analysis

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Mattel Strategy

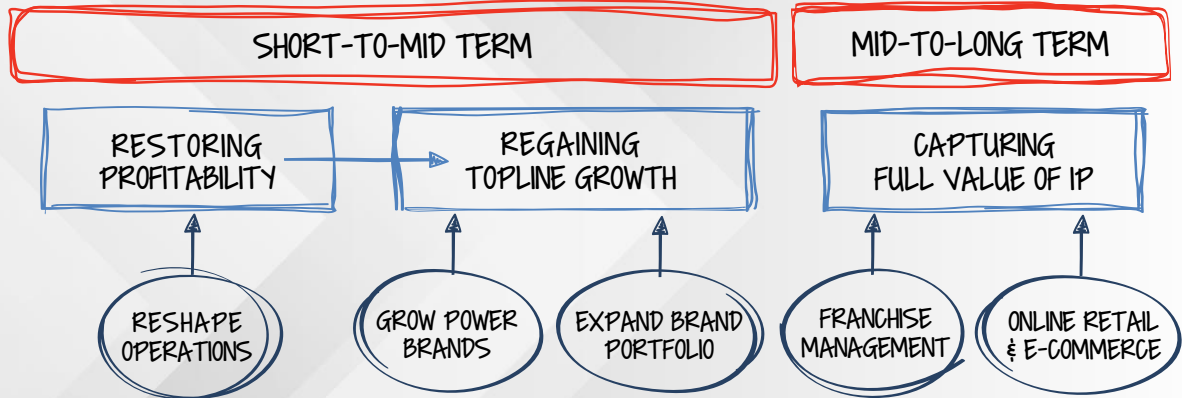
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Mattel Strategy 2018



Transforming Mattel into an IP-Driven, High-performing Toy Company



Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

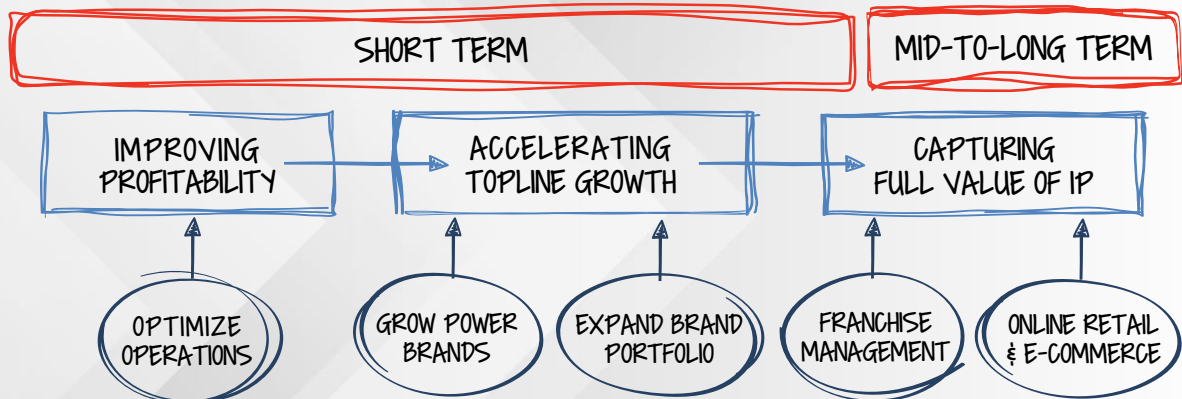
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Mattel Strategy 2021



Transforming Mattel into an IP-Driven, High-performing Toy Company



Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

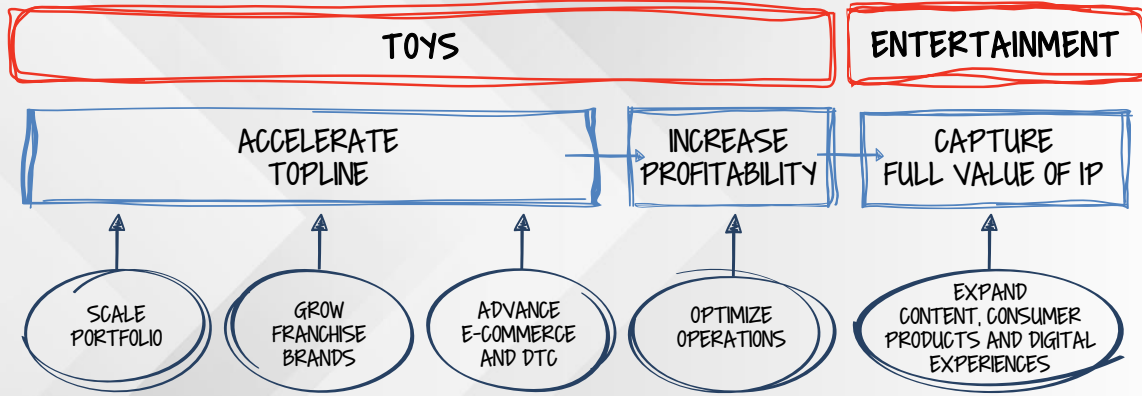
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Mattel Strategy 2022



Grow IP-Driven Toy Business and Expand Entertainment Offering



Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

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Mattel Strategy



**Our Products
Stand for:
Quality
Safety
Value**



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Franchise Management

Toys as Foundation

Holistic Consumer Experiences

Emotional Connections

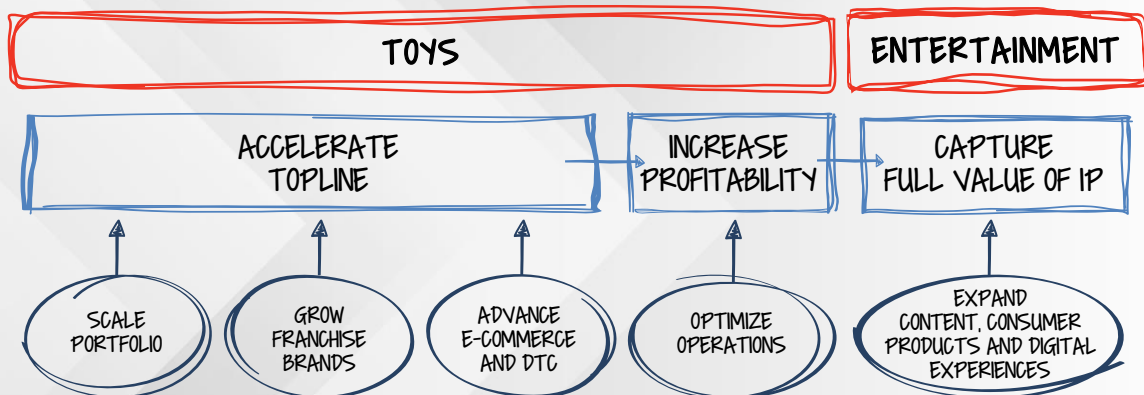
Multiple Touchpoints

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Grow IP-Driven Toy Business and Expand Entertainment Offering



Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

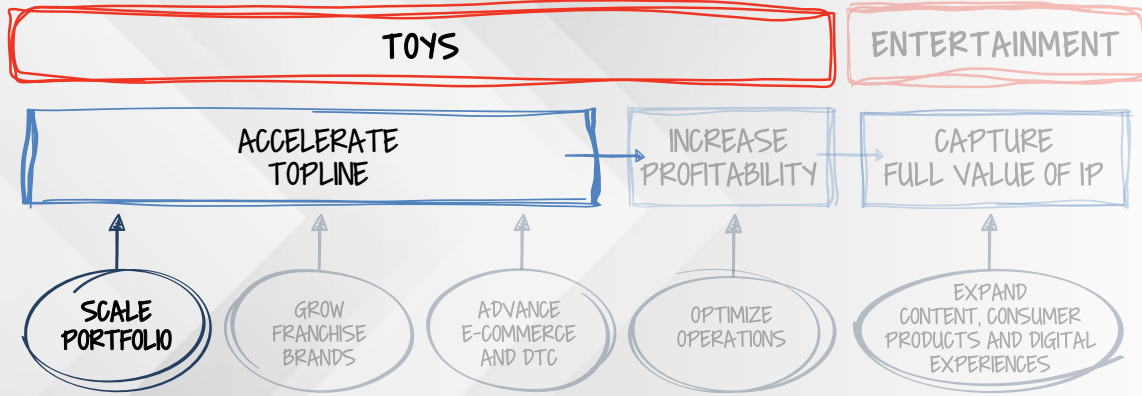
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Mattel Strategy



Grow IP-Driven Toy Business and Expand Entertainment Offering



Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

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Mattel Strategy

Scale Portfolio



Expand Power Brands



Barbie

fisher-price



Seinfeld

Little People
COLLECTOR™



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Relaunch Catalog IP

MONSTER HIGH



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Develop New Brands

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Expand Partner IP

Disney
PRINCESS

POKÉMON

Disney
FROZEN

DREAMWORKS
Trolls

Disney
WISH

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Enter New White Space



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Expand Footprint

Product Sold in

500,000+

Stores Worldwide



Source: Mattel Internal Analysis

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Expand Footprint



**2022 Toy Supplier
of the Year**
UK Toy Industry Awards

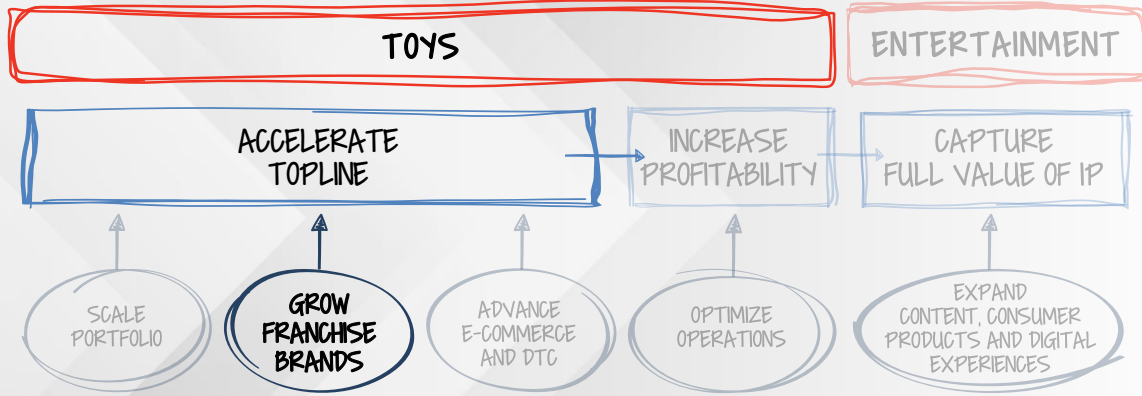
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Mattel Strategy



Grow IP-Driven Toy Business and Expand Entertainment Offering



Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

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Mattel Strategy

Grow Franchise Brands



**Distinct Brands
Rich Heritage and High Awareness**



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Activate More Catalog IP

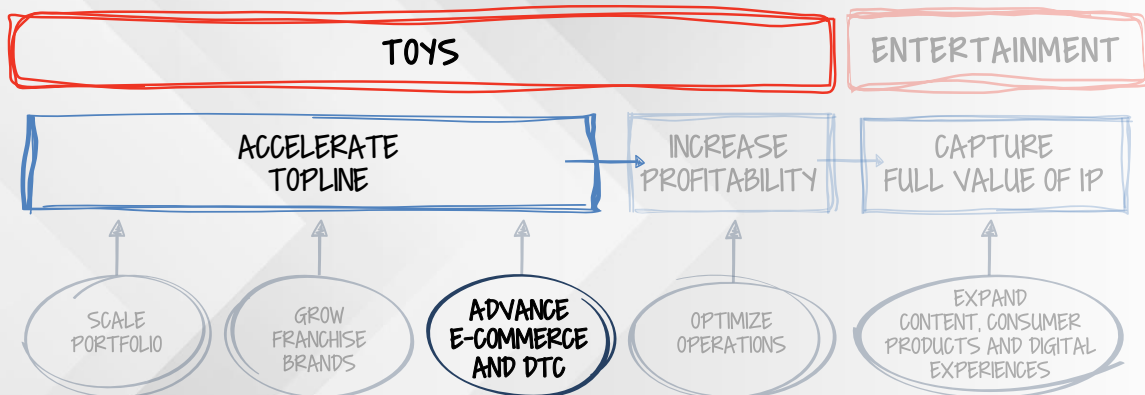
Evolve Franchise Brands to Power Brands

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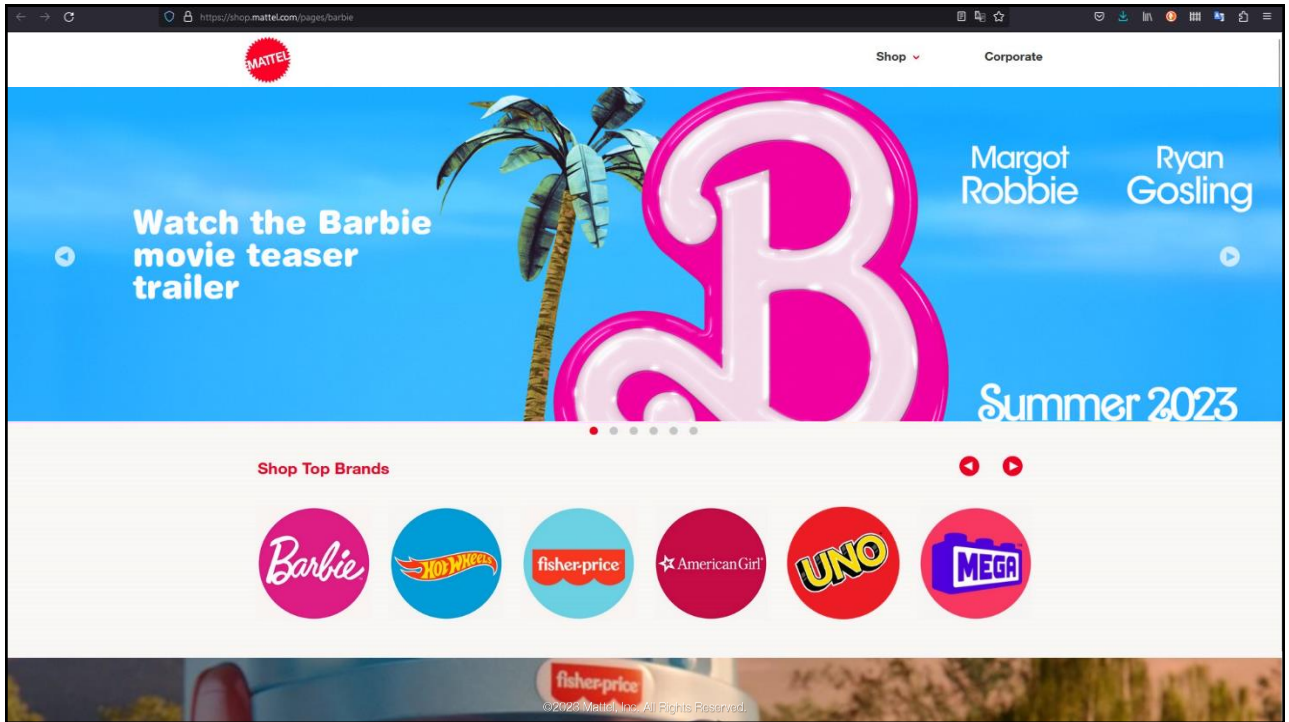
Grow IP-Driven Toy Business and Expand Entertainment Offering



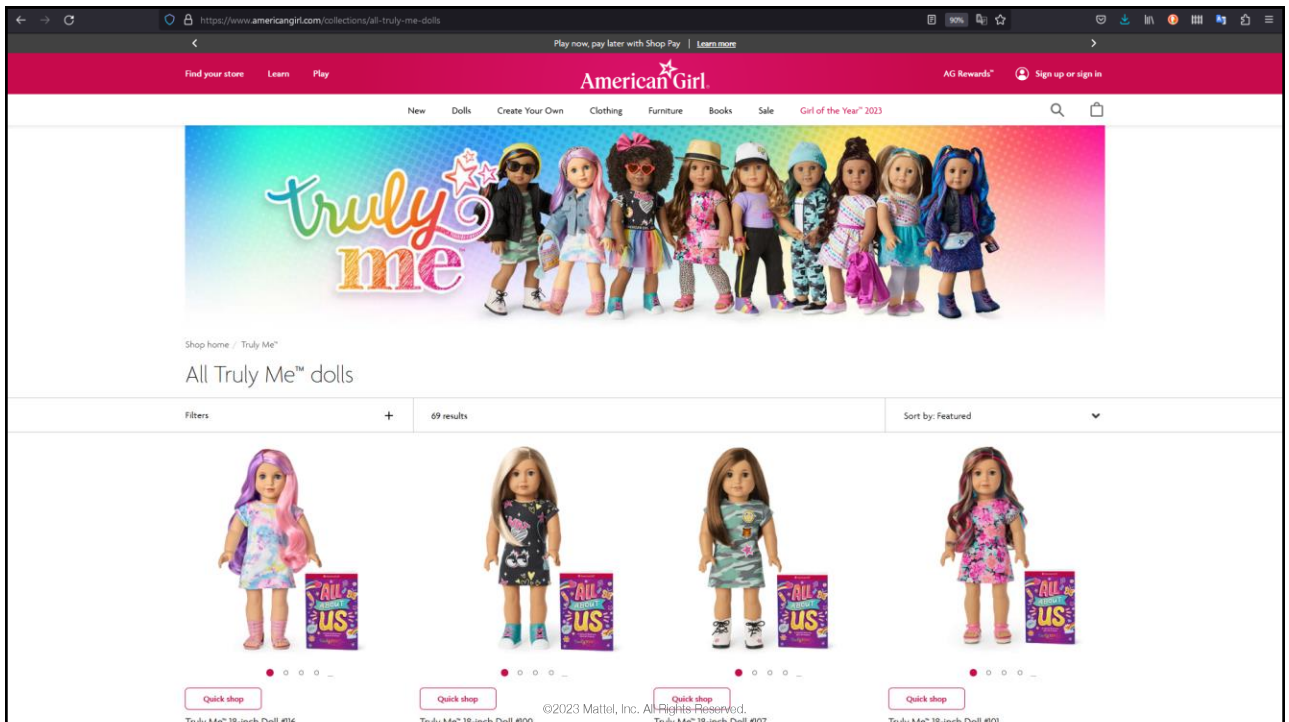
**Our mission is to create innovative products and experiences
that inspire, entertain and develop children through play**

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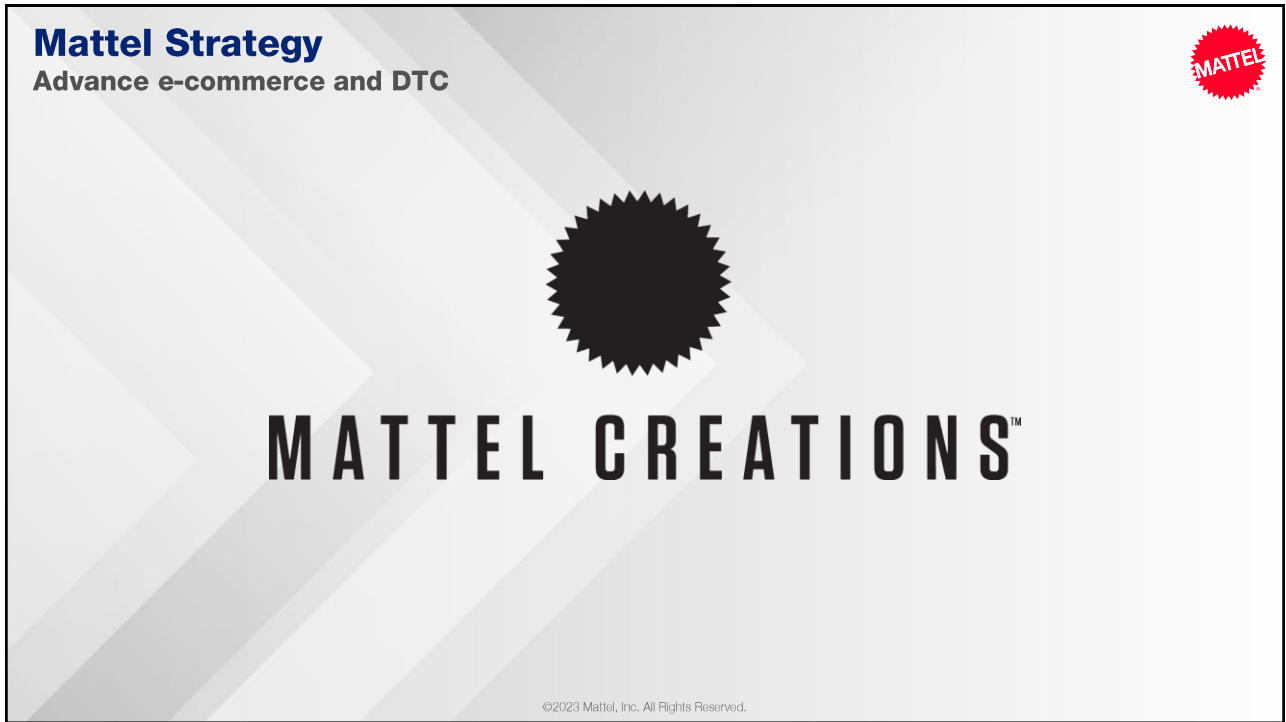
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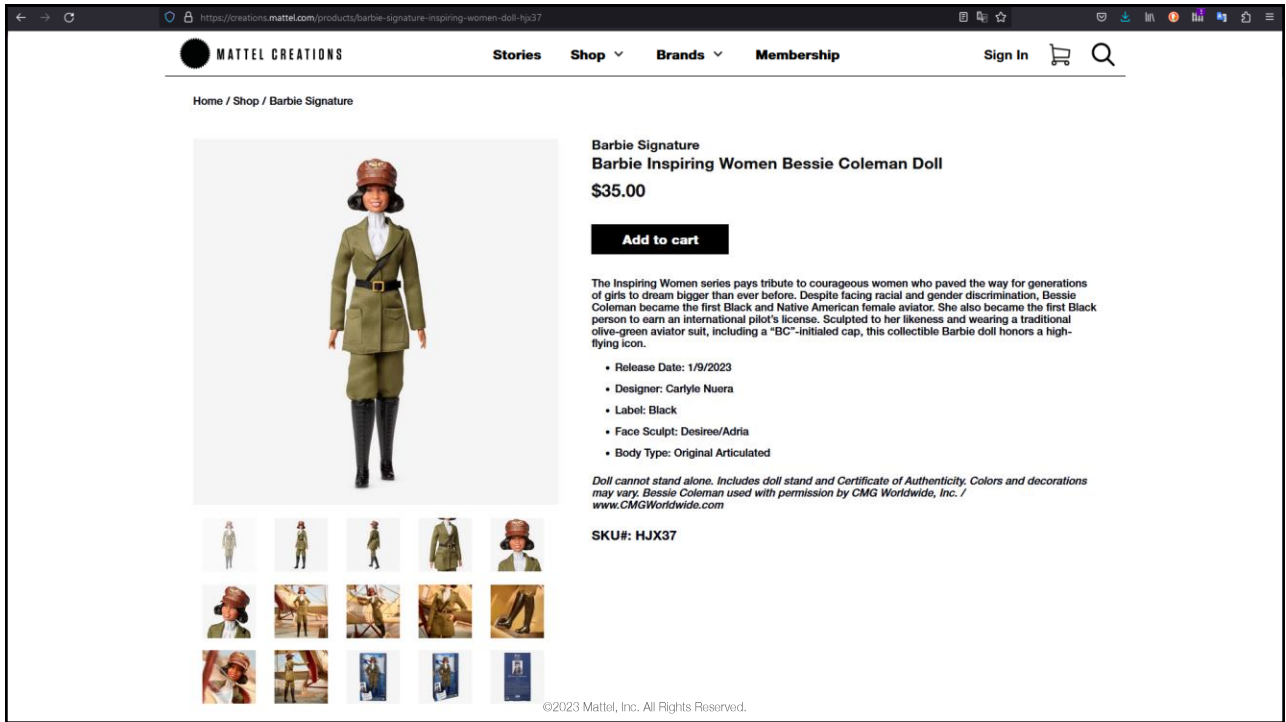
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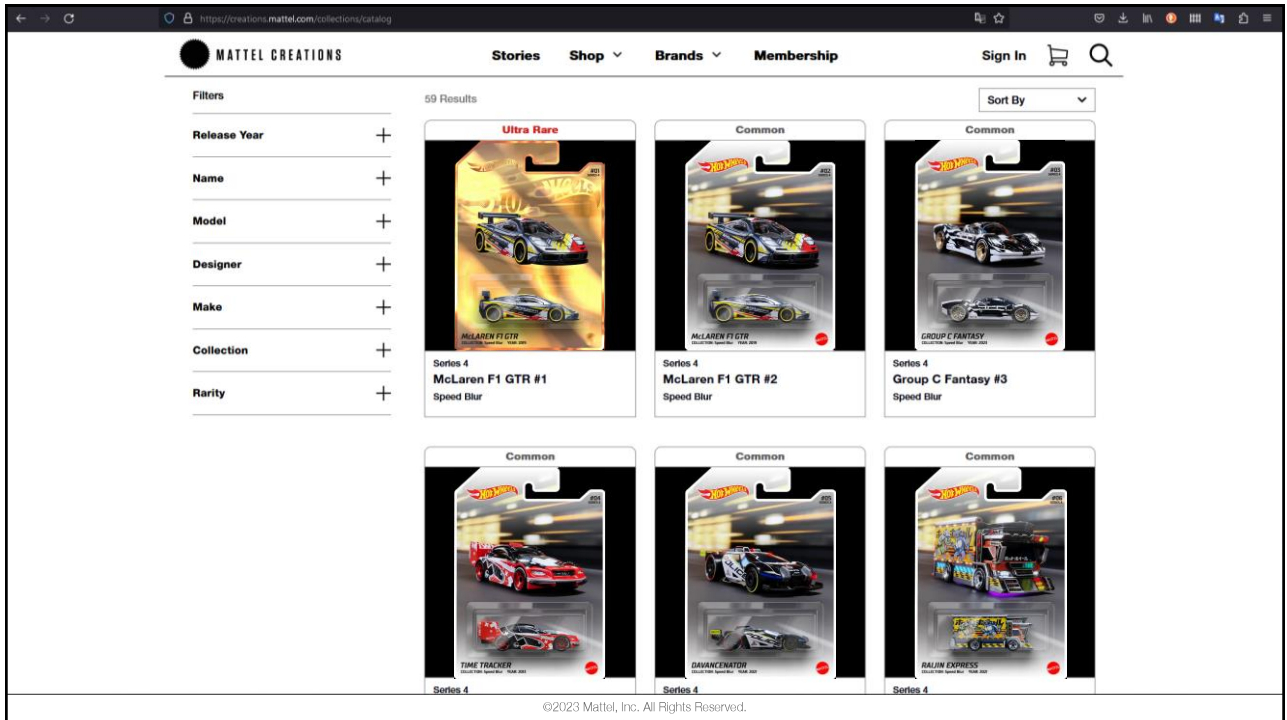
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Mattel Strategy

Advance e-commerce and DTC

100+
Offerings

12
Brands

Source: Mattel Internal Analysis

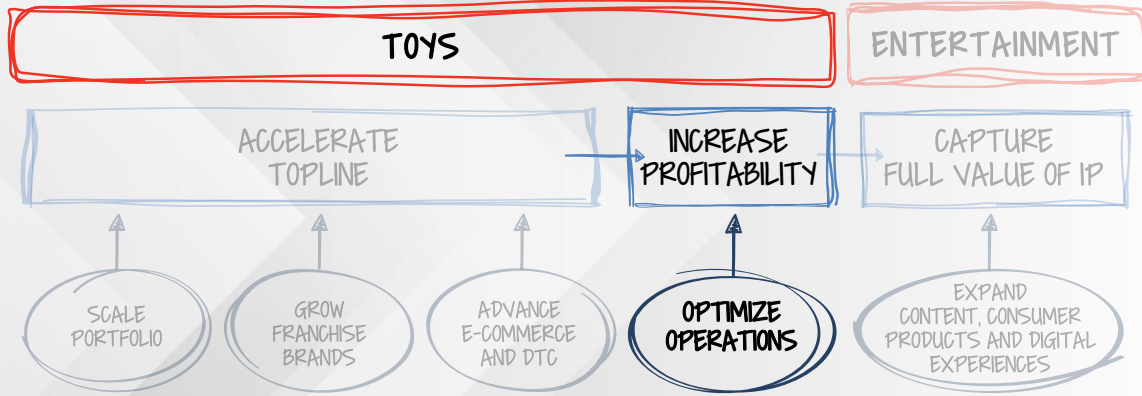
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Mattel Strategy



Grow IP-Driven Toy Business and Expand Entertainment Offering



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Mattel Strategy

Optimize Operations



Optimizing for Growth Program

\$300 Million

Increased 3-Year Savings
Target from \$250 Million

Source: Mattel Q4 2022 Financial Results Slide Presentation and Transcript
2/8/2023 (including Non-GAAP/KPI Glossary and Reconciliations)

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Mattel Strategy



We own one of the strongest portfolios of children's and family entertainment franchises in the world



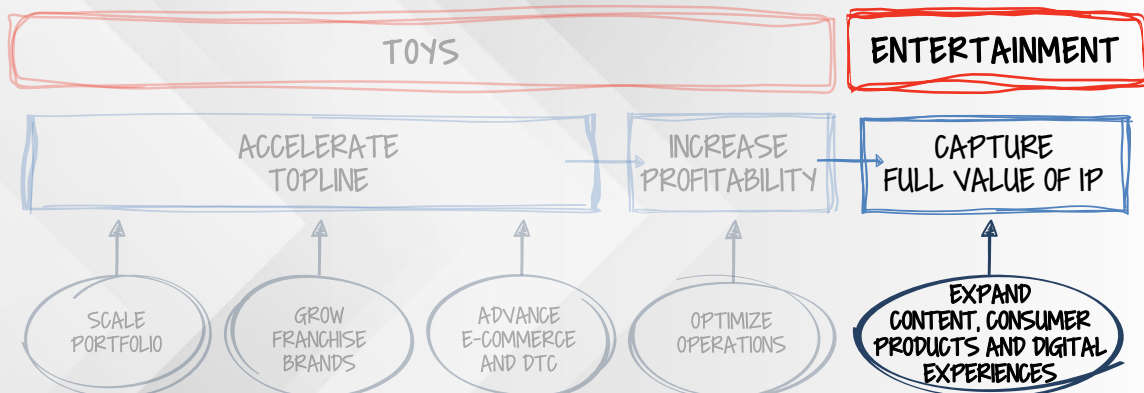
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Mattel Strategy



Grow IP-Driven Toy Business and Expand Entertainment Offering



Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

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Content

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Mattel Strategy
Capture Full Value of IP
Content



Films

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Mattel Strategy
Capture Full Value of IP
Content



JULY 21, 2023

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Mattel Strategy
Capture Full Value of IP
Content



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14 Live Action Motion Pictures in Development



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J.J. Abrams

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Flexible Partnership Approach

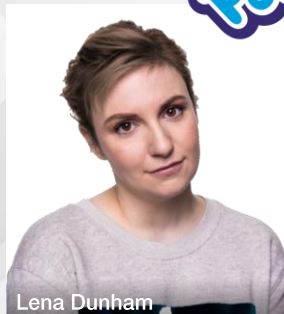
Right Studio

Best Partners

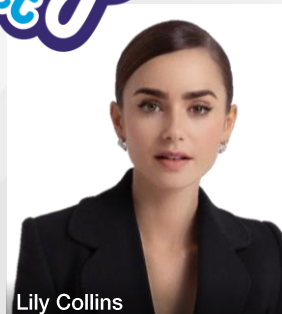
Develop Multiple Projects at Scale

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Lena Dunham



Lily Collins

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Mattel Strategy
Capture Full Value of IP
Content



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Mattel Strategy
Capture Full Value of IP
Content



11 Series and Specials in 2022

191 Countries in 37 Languages



Source: Mattel Internal Analysis

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Mattel Strategy

Capture Full Value of IP Content



Barbie

ON

NETFLIX





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Mattel Strategy
Capture Full Value of IP
Content



ULTIMATE CHALLENGE
ON NBC LATER THIS YEAR

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Mattel Strategy
Capture Full Value of IP
Content



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Series and Specials
in 2023

Source: Mattel Internal Analysis

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Consumer Products

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Mattel Strategy
Capture Full Value of IP
Consumer Products

\$316 Billion

Licensing Industry
Annual Sales

2021 Retail Sales, per Licensing International

Source: 2022 Global Licensing Industry Study, Licensing International,
LicensingInternational.org

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Entering New Categories
Growing Opportunities Internationally
Strengthening Consumer Connections
Expanding Audiences

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Content
+
Products

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Content + Products



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Location-Based Entertainment

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Mattel Strategy
Capture Full Value of IP
Digital Experiences



Digital Game Releases

ROBLOX



Barbie



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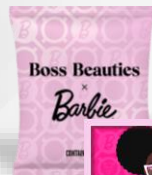
Mattel Strategy
Capture Full Value of IP
Digital Experiences



Digital Collectibles



Barbie



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Mattel Strategy
Capture Full Value of IP
Digital Experiences



\$175 Million
Revenue in 2022

Source: Mattel Internal Analysis - Joint Venture Revenues

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Mattel Strategy
Capture Full Value of IP
Digital Experiences



300M+
Downloads

14M+
Monthly
Active Users

Source: Mattel Internal Analysis

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Mattel Strategy
Capture Full Value of IP
Digital Experiences



2023 Licensed Game Releases

Barbie



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Mattel Strategy
Capture Full Value of IP
Digital Experiences



2023 Third-Party Game Integrations



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Mattel Strategy
Capture Full Value of IP
Digital Experiences



2023 Licensed Games



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Presentation Close



Our Purpose

**To empower the next generation to
explore the wonder of childhood
and reach their full potential**

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Presentation Close



Our Mission

To create innovative products and experiences that inspire, entertain, and develop children through play

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Presentation Close



We own one of the strongest portfolios of children's and family entertainment franchises in the world



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Presentation Close



Well-Balanced Portfolio
Product is in Demand
Strong Business Fundamentals
Confident in Our Future Plans

**"We will build on our success to create
long-term shareholder value"**

- Ynon Kreiz

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Appendix

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Reconciliation of Non-GAAP Financial Measures



MATTEL, INC. AND SUBSIDIARIES

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)^{1,2,3}

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2017	2018	2019	2020	2021	2022	2022 vs 2019
(In millions, except percentage information)							
Worldwide Net Sales							
Net Sales	\$ 4,881.5	\$ 4,512.2	\$ 4,504.6	\$ 4,588.4	\$ 5,457.7	\$ 5,434.7	
% Change	-10%	-8%	0%	2%	19%	0%	21%
Impact of Currency in %	0%	-1%	-1%	-1%	1%	-3%	-5%
Constant Currency % Change	-10%	-7%	1%	3%	18%	3%	26%
Gross Profit							
Gross Profit, As Reported	\$ 1,824.6	\$ 1,788.0	\$ 1,977.3	\$ 2,243.1	\$ 2,626.7	\$ 2,481.4	
Gross Margin	37.4%	39.6%	43.9%	48.9%	48.1%	45.7%	
Adjustments:							
Asset Impairments	20.6	5.8	-	-	-	-	
Severance and Restructuring Expenses	-	5.7	18.6	5.7	2.9	10.7	
Inclined Sleeper Product Recalls	-	-	21.7	-	-	-	
Gross Profit, As Adjusted	\$ 1,845.2	\$ 1,799.4	\$ 2,017.6	\$ 2,248.8	\$ 2,629.5	\$ 2,492.0	
Adjusted Gross Margin	37.8%	39.9%	44.8%	49.0%	48.2%	45.9%	

¹ 2018-2020 supplemental financial information reflect the impact of immaterial revisions to the financial statements. 2017 key financial metrics were not revised to reflect the impact of immaterial adjustments.

² Amounts may not foot due to rounding.

³ For further detail refer to Exhibits and Reg G for the respective periods.

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Reconciliation of Non-GAAP Financial Measures



MATTEL, INC. AND SUBSIDIARIES

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)^{1,2,3}

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2017	2018	2019	2020	2021	2022	2022 vs 2019
(In millions, except percentage information)							
Operating (Loss) Income							
Operating (Loss) Income, As Reported	\$ (335.7)	\$ (237.4)	\$ 37.1	\$ 374.7	\$ 729.6	\$ 675.5	\$ 638.4
Operating (Loss) Income Margin	-6.9%	-5.3%	0.8%	8.2%	13.4%	12.4%	
Adjustments:							
Asset Impairments	56.3	11.9	25.9	-	-	-	
Non-Recurring Executive Compensation	11.3	1.0	-	-	-	-	
Severance and Restructuring Expenses	65.1	109.8	59.1	40.6	34.4	36.8	
Inclined Sleeper Product Recalls	-	-	32.0	26.2	15.1	(0.3)	
Sale of Assets	-	(1.4)	-	-	(15.8)	(23.5)	
Operating (Loss) Income, As Adjusted	\$ (203.0)	\$ (116.1)	\$ 154.0	\$ 441.5	\$ 763.3	\$ 688.6	\$ 534.6
Adjusted Operating (Loss) Income Margin	-4.2%	-2.6%	3.4%	9.6%	14.0%	12.7%	
Earnings Per Share							
Net (Loss) Income Per Common Share, As Reported	\$ (3.07)	\$ (1.55)	\$ (0.63)	\$ 0.35	\$ 2.53	\$ 1.10	
Adjustments:							
Asset Impairments	0.16	0.03	0.07	-	-	-	
Non-Recurring Executive Compensation	0.03	-	-	-	-	-	
Severance and Restructuring Expenses	0.19	0.32	0.17	0.12	0.10	0.10	
Inclined Sleeper Product Recalls	-	-	0.09	0.07	0.04	-	
Sale of Assets/Business	-	-	-	-	(0.06)	(0.07)	
Loss on Debt Extinguishments	-	-	-	-	0.28	-	
Loss on Liquidation of Subsidiary	0.17	-	-	-	-	0.13	
Tax Effect of Adjustments	(0.03)	(0.01)	(0.02)	(0.01)	(0.08)	-	
Tax Items including Changes in Valuation Allowances	1.34	0.05	-	-	(1.51)	-	
Net (Loss) Income Per Common Share, As Adjusted	\$ (1.20)	\$ (1.16)	\$ (0.31)	\$ 0.54	\$ 1.30	\$ 1.25	

¹ 2018-2020 supplemental financial information reflect the impact of immaterial revisions to the financial statements. 2017 key financial metrics were not revised to reflect the impact of immaterial adjustments.

² Amounts may not foot due to rounding.

³ For further detail refer to Exhibits and Reg G for the respective periods.

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Reconciliation of Non-GAAP Financial Measures



MATTEL, INC. AND SUBSIDIARIES

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)^{1,2} RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2017	2018	2019	2020	2021	2022	2022 vs 2019
(In millions)							
EBITDA and Adjusted EBITDA							
Net (Loss) Income, As Reported	\$ (1,054.6)	\$ (536.3)	\$ (218.8)	\$ 123.6	\$ 903.0	\$ 393.9	\$ 612.7
Adjustments:							
Interest Expense	105.2	181.9	201.0	198.3	253.9	132.8	
Provision (Benefit) for Income Taxes	553.3	116.2	58.3	65.5	(420.4)	135.9	
Depreciation	240.8	232.8	204.4	154.5	146.3	144.6	
Amortization	33.9	39.1	40.1	38.9	38.0	37.9	
EBITDA	(121.3)	33.7	285.1	580.9	920.9	845.0	
Adjustments:							
Asset Impairments	58.3	11.9	25.9	-	-	-	
Share-Based Compensation	67.1	48.9	56.0	60.2	60.1	69.1	
Severance and Restructuring Expenses	65.1	104.1	52.0	39.1	30.7	32.7	
Inclined Sleeper Product Recalls	-	-	32.0	26.2	15.1	(0.3)	
Sale of Assets/Business	-	(1.4)	-	-	(19.7)	(23.5)	
Loss on Liquidation of Subsidiary	59.0	-	-	-	-	45.4	
Adjusted EBITDA	\$ 126.2	\$ 197.2	\$ 450.9	\$ 706.4	\$ 1,007.0	\$ 968.4	\$ 517.5
Leverage Ratio (Total Debt / Adjusted EBITDA)							
Total Debt:							
Long-Term Debt	\$ 2,873.1	\$ 2,851.7	\$ 2,846.8	\$ 2,854.7	\$ 2,571.0	\$ 2,325.6	
Current Portion of Long-Term Debt	250.0	-	-	-	-	-	
Short-Term Borrowings	-	4.2	-	1.0	-	-	
Adjustments:							
Debt Issuance Costs and Debt Discount	26.9	48.3	53.2	45.3	29.0	24.4	
Total Debt	\$ 3,150.0	\$ 2,904.2	\$ 2,900.0	\$ 2,901.0	\$ 2,600.0	\$ 2,350.0	
Total Debt / Net (Loss) Income	(3.0)x	(5.4)x	(13.2)x	23.5x	2.9x	6.0x	
Leverage Ratio (Total Debt / Adjusted EBITDA)	25.0x	14.7x	6.4x	4.1x	2.6x	2.4x	
Free Cash Flow							
Net Cash Flows (Used For) Provided by Operating Activities	\$ (27.6)	\$ (24.2)	\$ 168.4	\$ 285.7	\$ 485.5	\$ 442.8	
Capital Expenditures	(297.2)	(155.5)	(103.8)	(118.8)	(151.4)	(186.5)	
Free Cash Flow	\$ (324.8)	\$ (179.7)	\$ 64.6	\$ 166.9	\$ 334.1	\$ 256.3	

¹ 2019-2020 supplemental financial information reflect the impact of immaterial revisions to the financial statements. 2017 key financial metrics were not revised to reflect the impact of immaterial adjustments.

² Amounts may not foot due to rounding.

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Glossary of Non-GAAP Financial Measures & Key Performance Indicator



NON-GAAP FINANCIAL MEASURES

To supplement our financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures that Mattel uses in this presentation includes Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Operating (Loss) Income, Adjusted Operating (Loss) Income Margin, Adjusted Earnings Per Share, earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA, Free Cash Flow, Leverage Ratio (Total Debt / Adjusted EBITDA), and constant currency. Mattel uses these measures to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance, and each is discussed below. Mattel believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of Mattel'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.

Adjusted Gross Profit and Adjusted Gross Margin

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

Adjusted Operating (Loss) Income and Adjusted Operating (Loss) Income Margin

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

Adjusted Earnings Per Share

Adjusted Earnings Per Share represents Mattel's reported Diluted Earnings Per Common Share, adjusted to exclude asset impairments, non-recurring executive compensation, severance and restructuring expenses, the impact of the inclined sleeper product recalls, the impact of sale of assets/business, loss on debt extinguishments, loss on liquidation of subsidiaries, and changes in valuation allowances, which are not part of Mattel's core business. The aggregate tax effect of the adjustments was determined using the effective tax rates on a jurisdictional basis of the respective adjustments, and dividing by the reported weighted-average number of common shares. Adjusted Earnings Per Share is presented to provide additional perspective on underlying trends in Mattel's core business. Mattel believes it is useful supplemental information for investors to gauge and compare Mattel's current earnings results from one period to another. Adjusted Earnings Per Share is a performance measure and should not be used as a measure of liquidity.

EBITDA and Adjusted EBITDA

EBITDA represents Mattel's Net Income, adjusted to exclude the impact of interest expense, taxes, depreciation, and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude asset impairments, share-based compensation, severance and restructuring expenses, the impact of the inclined sleeper product recalls, the impact of sale of assets/business, and loss on liquidation of subsidiaries, which are not part of Mattel's core business. Mattel believes EBITDA and Adjusted EBITDA are useful supplemental information for investors to gauge and compare Mattel's business performance to other companies in its industry with similar capital structures. The presentation of Adjusted EBITDA differs from how Mattel calculates EBITDA for purposes of covenant compliance under the indentures governing its high yield senior notes and the syndicated facility agreement governing its senior secured revolving credit facilities. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to invest in the growth of Mattel's business. As a result, Mattel relies primarily on its GAAP results and uses EBITDA and Adjusted EBITDA only supplementally.

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Glossary of Non-GAAP Financial Measures & Key Performance Indicator



NON-GAAP FINANCIAL MEASURES

Free Cash Flow

Free Cash Flow represents Mattel's net cash flows from operating activities less capital expenditures. Mattel believes Free Cash Flow is useful supplemental information for investors to gauge Mattel's liquidity and performance and to compare Mattel's business performance to other companies in our industry. Free Cash Flow does not represent cash available to Mattel for discretionary expenditures.

Leverage Ratio (Total Debt / Adjusted EBITDA)

The leverage ratio is calculated by dividing Total Debt by Adjusted EBITDA. Total Debt represents the aggregate of Mattel's current portion of long-term debt, short-term borrowings, and long-term debt, excluding the impact of debt issuance costs and debt discount. Mattel believes the leverage ratio is useful supplemental information for investors to gauge trends in Mattel's business and to compare Mattel's business performance to other companies in its industry.

Constant Currency

Percentage changes in results expressed in constant currency are presented excluding the impact from changes in currency exchange rates. To present this information, Mattel calculates constant currency information by translating current period and prior period results for entities reporting in currencies other than the US dollar using consistent exchange rates. The constant currency exchange rates are determined by Mattel at the beginning of each year and are applied consistently during the year. They are generally different from the actual exchange rates in effect during the current or prior period due to volatility in actual foreign exchange rates. Mattel considers whether any changes to the constant currency rates are appropriate at the beginning of each year. The exchange rates used for these constant currency calculations are generally based on prior year actual exchange rates. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from changes in currency exchange rates. Mattel analyzes constant currency results to provide additional perspective on changes in underlying trends in Mattel's operating performance. Mattel believes that the disclosure of the percentage change in constant currency is useful supplemental information for investors to be able to gauge Mattel's current business performance and the longer-term strength of its overall business since foreign currency changes could potentially mask underlying sales trends. The disclosure of the percentage change in constant currency enhances investor's ability to compare financial results from one period to another.

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