

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

or

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

For the transition period from _____ to _____

Commission File Number 001-05647

MATTEL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-1567322

(I.R.S. Employer Identification No.)

333 Continental Blvd.

El Segundo, CA 90245-5012

(Address of principal executive offices)

(310) 252-2000

(Registrant's telephone number)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1.00 par value	The NASDAQ Global Select Market

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

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant calculated using the market price as of the close of business June 30, 2011 was \$9,463,557,552.

Number of shares outstanding of registrant's common stock, \$1.00 par value, as of February 16, 2012:

338,998,144 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Mattel, Inc. 2012 Notice of Annual Meeting of Stockholders and Proxy Statement, to be filed with the Securities and Exchange Commission ("SEC") within 120 days after the close of the registrant's fiscal year (incorporated into Part III).

Table of Contents

MATTEL, INC. AND SUBSIDIARIES

	<u>Page</u>
PART I	
Item 1. Business	3
Item 1A. Risk Factors	12
Item 1B. Unresolved Staff Comments	21
Item 2. Properties	21
Item 3. Legal Proceedings	21
Item 4. Mine Safety Disclosures	21
PART II	
Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6. Selected Financial Data	25
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	49
Item 8. Financial Statements and Supplementary Data	52
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	100
Item 9A. Controls and Procedures	100
Item 9B. Other Information	100
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	101
Item 11. Executive Compensation	101
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	101
Item 13. Certain Relationships and Related Transactions, and Director Independence	101
Item 14. Principal Accountant Fees and Services	101
PART IV	
Item 15. Exhibits and Financial Statement Schedules	102
Signature	110

PART I

Item 1. Business.

Mattel, Inc. (“Mattel”) designs, manufactures, and markets a broad variety of toy products worldwide which are sold to its customers and directly to consumers. Mattel’s vision is “creating the future of play.” Mattel’s objectives are to grow its share in the marketplace, sustain gross margins of about 50%, leverage its scale to deliver cost savings and lower its selling and administrative costs, and create long-term stockholder value. To achieve these objectives, management has established the following strategies:

The first strategy is to deliver consistent growth by continuing the momentum in its core brands, optimizing entertainment partnerships, building new franchises, and working to expand and leverage its international footprint.

The second strategy is to optimize operating margins through sustaining gross margins of about 50% and delivering on cost savings initiatives.

The third strategy is to generate significant cash flow and continue its disciplined, opportunistic, and value-enhancing deployment.

Mattel believes its products are among the most widely recognized toy products in the world. Mattel’s portfolio of brands and products are grouped in the following categories:

Mattel Girls & Boys Brands —including Barbie® fashion dolls and accessories (“Barbie®”), Polly Pocket®, Little Mommy®, Disney Classics®, and Monster High® (collectively “Other Girls Brands”), Hot Wheels®, Matchbox®, and Tyco R/C® vehicles and play sets (collectively “Wheels”), and CARS®, Radica®, Toy Story®, Max Steel®, WWE® Wrestling, and Batman®, and games and puzzles (collectively “Entertainment”).

Fisher-Price Brands —including Fisher-Price®, Little People®, BabyGear™, Imaginext®, and View-Master® (collectively “Core Fisher-Price®”), Dora the Explorer®, Go Diego Go!®, Thomas and Friends®, Mickey Mouse® Clubhouse, Sing-a-ma-jigs®, and See ‘N Say® (collectively “Fisher-Price® Friends”), and Power Wheels®.

American Girl Brands —including My American Girl®, the historical collection, and Bitty Baby®. American Girl Brands products are sold directly to consumers via its catalogue, website, and proprietary retail stores. Its children’s publications are also sold to certain retailers.

Mattel was incorporated in California in 1948 and reincorporated in Delaware in 1968. Its executive offices are located at 333 Continental Blvd., El Segundo, California 90245-5012, telephone number (310) 252-2000.

Business Segments

“Mattel” refers to Mattel, Inc. and its subsidiaries as a whole, unless the context requires otherwise. This narrative discussion applies to all segments except where otherwise stated. Mattel’s reportable segments are separately managed business units and are divided on a geographic basis between domestic and international. The Domestic segment is further divided into Mattel Girls & Boys Brands US, Fisher-Price Brands US, and American Girl Brands.

For additional information on Mattel’s operating segment reporting, including revenues, segment income, and assets, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Operating Segment Results” and Item 8 “Financial Statements and Supplementary Data—Note 14 to the Consolidated Financial Statements—Segment Information.” For additional information regarding geographic areas, see Item 8 “Financial Statements and Supplementary Data—Note 14 to

Table of Contents

the Consolidated Financial Statements—Segment Information.” For a discussion of the risks inherent in the foreign operations of Mattel, which affect each segment, see Item 1A “Risk Factors—Factors That May Affect Future Results.”

Domestic Segment

The Domestic segment markets and sells toys through the Mattel Girls & Boys Brands US, Fisher-Price Brands US, and American Girl Brands segments.

In the Mattel Girls & Boys Brands US segment, Barbie® includes brands such as Barbie® fashion dolls and accessories, and Polly Pocket®, Little Mommy®, Disney Classics®, and Monster High® are included within Other Girls Brands. Wheels includes Hot Wheels®, Matchbox®, and Tyco R/C® vehicles and play sets. Entertainment includes CARS®, Radica®, Toy Story®, WWE® Wrestling, and Batman®, as well as games and puzzles.

In 2012, for Mattel Girls Brands, Barbie® will be launching the most extensive, full year brand-wide campaign to date that invites girls to “See What Happens when they play with Barbie®”. The global campaign will be supported by extensive product introductions, TV and events, as well as a microsite for both girls and brand fans entitled “barbiewow.com”. In 2012, new products will be featured to support two full-length animated launches, *Barbie in a Mermaid Tale*® 2 in spring 2012 and *Barbie® Princess and the Pop Star*™ in fall 2012. In addition, Barbie® is launching a new digital series entitled *Barbie®, Life in the Dreamhouse*™. Monster High® will have new characters and products, as well as televised entertainment and webisodes throughout 2012. In addition, the first DVD, *Ghoul's Rule*, will be released in fall 2012. Disney Princess® will have two tent pole events to support growth for 2012. In June 2012, new products will be featured to support the theatrical release of the feature film, Disney/Pixar’s *Brave*™ and a broad range of dolls, fashions, and accessories will be released to support the Platinum DVD release of *Cinderella*.

In 2012, Hot Wheels® will continue its overarching brand campaign with Team Hot Wheels. Hot Wheels® will introduce new product lines such as Total Control Racing vehicles and track sets, as well as a global launch of Team Hot Wheels toys and consumer products. Matchbox® will launch a new play set product line in the spring, and a new product line of vehicles and figures in the fall called Big Boots. Tyco R/C® will introduce new products such as the new smart phone compatible Nitro Speeders™. The Entertainment business will include new innovative products based on the DC Comics’ Batman® feature film, *The Dark Knight Rises*®. New product extensions of Disney/Pixar’s CARS®, including the transforming die cast vehicles, CARS® Quick Changers® and CARS® Micro Drifters™, and the *Toy Story*® franchise will be introduced. WWE® Wrestling will extend its product line with Flex Force Lightning™ Figures, Rumlbers® Blastin’ Breakdown set, and Brawlin Buddies®. For games and puzzles, Mattel will launch dice game product extensions of its existing UNO®, Phase 10®, Skip Bo®, and Apples to Apples® games, as well as launch new Kids games based on the Angry Birds™, Fruit Ninja®, and Cut the Rope® properties. Radica® will expand the Girl Tech® toy, Fijit Friends®, with new innovative offerings.

The Fisher-Price Brands US segment includes Fisher-Price®, Little People®, BabyGear™, Imaginext®, View-Master®, Dora the Explorer®, Go Diego Go!®, Thomas and Friends®, Mickey Mouse® Clubhouse, Sing-a-ma-jigs®, See ‘N Say®, and Power Wheels®. In 2012, Fisher-Price® will continue its *Joy of Learning* advertising campaign. A fresh new focus on virtual and physical play dates will support the overarching theme that nothing is more amazing than sharing the joy of learning with your child. New product lines will be introduced supporting learning opportunities throughout the early childhood years. The launch of the new infant physical activity line, featuring the Cruise & Groove Ballapalooza™, stands as the ultimate innovation for a baby’s physical development. For preschool playtime, the popular Imaginext® and Little People® product lines will continue to encourage imagination, language, and social skills with the Imaginext® Eagle Talon Castle and Little People® Disney Princess® Songs Palace. In 2012, Fisher-Price® licensed brands will continue to expand interactive playtime with the introduction of Master Moves Mickey, which encourages children to start their own dance craze with their family. New product introductions for 2012 will also include an Aptivity line of cases for iPhone®, iPod touch®, and iPad® devices, the Kid-Tough® Portable DVR, which allows children to take their favorite shows with them, and Fantastic Gymnastics Dora®.

The American Girl Brands segment is a direct marketer, children’s publisher, and retailer best known for its flagship line of historical dolls, books, and accessories, as well as the My American Girl® and Bitty Baby®

Table of Contents

brands. American Girl Brands also publishes best-selling Advice & Activity books and the award-winning *American Girl*® magazine. In January 2012, American Girl® introduced McKenna™, the newest Girl of the Year® doll. American Girl Brands products are sold only in the US and Canada.

International Segment

Products marketed by the International segment are generally the same as those developed and marketed by the Domestic segment, with the exception of American Girl Brands, although some are developed or adapted for particular international markets. Mattel's products are sold directly to retailers and wholesalers in most European, Latin American, and Asian countries, and in Australia, Canada, and New Zealand, and through agents and distributors in those countries where Mattel has no direct presence.

Mattel's International segment revenue represented 48% of worldwide consolidated gross sales in 2011. Within the International segment, Mattel operates in four regional groups that generated the following gross sales during 2011:

	<u>Amount</u>	<u>Percentage of International</u>
	<u>(In millions, except percentage information)</u>	
Europe	\$1,656.7	51%
Latin America	991.4	30
Asia Pacific	384.2	12
Other	228.1	7
	<u>\$3,260.4</u>	<u>100%</u>

No individual country within the International segment exceeded 6% of worldwide consolidated gross sales during 2011.

The strength of the US dollar relative to other currencies can significantly affect the revenues and profitability of Mattel's international operations. Mattel enters into foreign currency forward exchange contracts, primarily to hedge its purchase and sale of inventory, and other intercompany transactions denominated in foreign currencies, to limit the effect of exchange rate fluctuations on its results of operations and cash flows. See Item 7A "Quantitative and Qualitative Disclosures About Market Risk" and Item 8 "Financial Statements and Supplementary Data—Note 11 to the Consolidated Financial Statements—Derivative Instruments." For financial information by geographic area, see Item 8 "Financial Statements and Supplementary Data—Note 14 to the Consolidated Financial Statements—Segment Information."

2012 Changes to Segments

As part of Mattel's Operational Excellence 2.0 program, effective January 2012, Mattel has modified its organizational structure, which will result in changes to its operating segments. The new operating segments are: (i) North America, which will include Mattel Girls & Boys Brands US, Fisher-Price Brands US, and Canada, (ii) American Girl, and (iii) International.

Manufacturing and Materials

Mattel manufactures toy products for all segments in both company-owned facilities and through third-party manufacturers. Products are also purchased from unrelated entities that design, develop, and manufacture those products. To provide greater flexibility in the manufacture and delivery of its products, and as part of a continuing effort to reduce manufacturing costs, Mattel has concentrated production of most of its core products in company-owned facilities and generally uses third-party manufacturers for the production of non-core products.

Table of Contents

Mattel’s principal manufacturing facilities are located in China, Indonesia, Thailand, Malaysia, and Mexico. To help avoid disruption of its product supply due to political instability, civil unrest, economic instability, changes in government policies, and other risks, Mattel produces its products in multiple facilities in multiple countries. Mattel believes that the existing production capacity at its own and its third-party manufacturers’ facilities is sufficient to handle expected volume in the foreseeable future. See Item 1A “Risk Factors—Factors That May Affect Future Results.”

Mattel bases its production schedules for toy products on customer orders and forecasts, taking into account historical trends, results of market research, and current market information. Actual shipments of products ordered and order cancellation rates are affected by consumer acceptance of product lines, strength of competing products, marketing strategies of retailers, changes in buying patterns of both retailers and consumers, and overall economic conditions. Unexpected changes in these factors could result in a lack of product availability or excess inventory in a particular product line.

The majority of Mattel’s raw materials is available from numerous suppliers, but may be subject to fluctuations in price.

Competition and Industry Background

Competition in the manufacture, marketing, and sale of toys is based primarily on quality, play value, and price. Mattel offers a diverse range of products for children of all ages and families that include, among others, toys for infants and preschoolers, girls’ toys, boys’ toys, youth electronics, hand-held and other games, puzzles, educational toys, media-driven products, and fashion-related toys. The Mattel Girls & Boys Brands US and Fisher-Price Brands US segments compete with several large toy companies, including Bandai, Hasbro, Jakks Pacific, Leap Frog, Lego, MGA Entertainment, Spin Master, Tomy, and VTech, many smaller toy companies, and several manufacturers of video games and consumer electronics. American Girl Brands competes with companies that manufacture girls’ toys and with children’s book publishers and retailers. Mattel’s International segment competes with global toy companies including Bandai, Hasbro, Lego, MGA Entertainment, Playmobile, Tomy, and VTech, other national and regional toy companies, and manufacturers of video games and consumer electronics. Foreign regions may include competitors that are strong in a particular toy line or geographical area, but do not compete with Mattel or other international toy companies worldwide.

Competition among the above companies is intensifying due to recent trends towards shorter life cycles for individual toy products and an increasing use of high technology in toys. In addition, as a result of the phenomenon of “children getting older younger,” resulting from children outgrowing toys at younger ages, Mattel competes with companies that sell products outside the toy aisle, such as electronic consumer products and video games. Competition is increased further by the fact that a small number of retailers account for a large portion of all toy sales, control the shelf space from which toys are viewed, and have direct contact with parents and children through in-store purchases, coupons, and print advertisements. Such retailers can and do promote their own private-label toys, facilitate the sale of competitors’ toys, and allocate shelf space to one type of toys over another.

Seasonality

Mattel’s business is highly seasonal, with consumers making a large percentage of all toy purchases during the traditional holiday season. A significant portion of Mattel’s customers’ purchasing occurs in the third and fourth quarters of Mattel’s fiscal year in anticipation of such holiday buying. These seasonal purchasing patterns and requisite production lead times create risk to Mattel’s business associated with the underproduction of popular toys and the overproduction of less popular toys that do not match consumer demand. Retailers are also attempting to manage their inventories more tightly in recent years, requiring Mattel to ship products closer to the time the retailers expect to sell the products to consumers. These factors increase the risk that Mattel may not be able to meet demand for certain products at peak demand times or that Mattel’s own inventory levels may be adversely impacted by the need to pre-build products before orders are placed. Additionally, as retailers manage

Table of Contents

their inventories, Mattel experiences cyclical ordering patterns for products and product lines that may cause its sales to vary significantly from period to period.

In anticipation of retail sales in the traditional holiday season, Mattel significantly increases its production in advance of the peak selling period, resulting in a corresponding build-up of inventory levels in the first three quarters of its fiscal year. Seasonal shipping patterns result in significant peaks in the third and fourth quarters in the respective levels of inventories and accounts receivable, which result in seasonal working capital financing requirements. See Item 8 “Financial Statements and Supplementary Data—Note 7 to the Consolidated Financial Statements—Seasonal Financing and Debt.”

Product Design and Development

Through its product design and development group, Mattel regularly refreshes, redesigns, and extends existing toy product lines and develops innovative new toy product lines for all segments. Mattel believes its success is dependent on its ability to continue this activity effectively. See Item 1A “Risk Factors—Factors That May Affect Future Results.” Product design and development activities are principally conducted by a group of professional designers and engineers employed by Mattel. During 2011, 2010, and 2009, Mattel incurred expenses of \$179.0 million, \$173.9 million, and \$171.3 million, respectively, in connection with the design and development of products, exclusive of royalty payments. See Item 8 “Financial Statements and Supplementary Data—Note 15 to the Consolidated Financial Statements—Supplemental Financial Information.”

Additionally, independent toy designers and developers bring concepts and products to Mattel and are generally paid a royalty on the net selling price of products licensed to Mattel. These independent toy designers may also create different products for other toy companies.

Advertising and Marketing

Mattel supports its product lines with extensive advertising and consumer promotions. Advertising takes place at varying levels throughout the year and peaks during the traditional holiday season. Advertising includes television and radio commercials, magazine, newspaper, and internet advertisements, and social media. Promotions include in-store displays, sweepstakes, merchandising materials, and major events focusing on products and tie-ins with various consumer products companies.

During 2011, 2010, and 2009, Mattel incurred expenses of \$699.2 million (11.2% of net sales), \$647.3 million (11.1% of net sales), and \$609.8 million (11.2% of net sales), respectively, for advertising and promotion.

Sales

Mattel’s products are sold throughout the world. Products within the Domestic segment are sold directly to retailers, including discount and free-standing toy stores, chain stores, department stores, other retail outlets, and, to a limited extent, wholesalers by Mattel Girls & Boys Brands US and Fisher-Price Brands US. Mattel also operates several small retail outlets, generally near or at its corporate headquarters and distribution centers as a service to its employees and as an outlet for its products. American Girl Brands products are sold directly to consumers and its children’s publications are also sold to certain retailers. Mattel has eleven retail stores, American Girl Place® in Chicago, Illinois, New York, New York, and Los Angeles, California, and American Girl® stores in Alpharetta, Georgia, Dallas, Texas, Natick, Massachusetts, Bloomington, Minnesota, Lone Tree, Colorado, Overland Park, Kansas, McLean, Virginia, and Lynnwood, Washington, each of which features children’s products from the American Girl Brands segment. American Girl Brands also has a retail outlet in Oshkosh, Wisconsin that serves as an outlet for its products. Products within the International segment are sold directly to retailers and wholesalers in most European, Latin American, and Asian countries, and in Australia, Canada, and New Zealand, and through agents and distributors in those countries where Mattel has no direct presence. Mattel also has retail outlets in Latin America and Europe that serve as outlets for its products. Additionally, Mattel sells certain of its products online through its website.

Table of Contents

During 2011, Mattel's three largest customers (Wal-Mart at \$1.2 billion, Toys "R" Us at \$0.7 billion, and Target at \$0.5 billion) accounted for approximately 38% of worldwide consolidated net sales in the aggregate. Within countries in the International segment, there is also a concentration of sales to certain large customers that do not operate in the US, none of which exceed 10% of net sales. The customers and the degree of concentration vary depending upon the region or nation. See Item 1A "Risk Factors—Factors That May Affect Future Results" and Item 8 "Financial Statements and Supplementary Data—Note 14 to the Consolidated Financial Statements—Segment Information."

Licenses and Distribution Agreements

Mattel has license agreements with third parties that permit Mattel to utilize the trademark, characters, or inventions of the licensor in products that Mattel sells. A number of these licenses relate to product lines that are significant to Mattel's business and operations.

Mattel has entered into agreements to license entertainment properties from, among others, Disney Enterprises, Inc. (including © Disney characters such as Mickey Mouse ®, Disney Princess ®, CARS ® and Toy Story ® from Pixar, Winnie the Pooh, and certain Disney films and television properties for use in Mattel's games), Viacom International, Inc. relating to its Nickelodeon™ properties (including Dora the Explorer ® and Go Diego Go! ®), Warner Bros. Consumer Products (including Batman ®, Superman ®, Justice League ®, and Green Lantern ®), Sesame Workshop ® through December 31, 2010 (relating to its Sesame Street ® properties including Elmo), WWE ® Wrestling, and HIT Entertainment™ relating to its Thomas and Friends ® properties.

Royalty expense for 2011, 2010, and 2009 was \$262.4 million, \$245.9 million, and \$188.5 million, respectively. See "Commitments" and Item 8 "Financial Statements and Supplementary Data—Note 13 to the Consolidated Financial Statements—Commitments and Contingencies."

Mattel also licenses a number of its trademarks and other property rights to others for use in connection with the sale of non-toy products that do not compete with Mattel's products. Mattel distributes some third-party finished products that are independently designed and manufactured.

Trademarks, Copyrights and Patents

Most of Mattel's products are sold under trademarks, trade names, and copyrights and a number of these products incorporate patented devices or designs. Trademarks, copyrights, and patents are significant assets of Mattel in that they provide product recognition and acceptance worldwide.

Mattel customarily seeks trademark, copyright, and patent protection covering its products, and it owns or has applications pending for US and foreign trademarks, copyrights, and patents covering many of its products. A number of these trademarks, copyrights, and patents relate to product lines that are significant to Mattel's business and operations. Mattel believes its rights to these properties are adequately protected, but there can be no assurance that its rights can be successfully asserted in the future or will not be invalidated, circumvented, or challenged.

Commitments

In the normal course of business, Mattel enters into contractual arrangements for future purchases of goods and services to ensure availability and timely delivery, and to obtain and protect Mattel's right to create and market certain products. Certain of these commitments routinely contain provisions for guarantees or minimum expenditures during the term of the contracts. Current and future commitments for guaranteed payments reflect Mattel's focus on expanding its product lines through alliances with businesses in other industries. Additionally, Mattel routinely enters into noncancelable lease agreements for premises and equipment used in the normal course of business.

Table of Contents

Purchase and service agreements with terms extending through 2016 contain future minimum payments aggregating approximately \$406 million. Licensing and similar agreements with terms extending through 2016 and beyond contain provisions for future guaranteed minimum payments aggregating approximately \$314 million. Lease commitments with terms extending through 2016 and beyond contain future minimum obligations aggregating approximately \$473 million. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Commitments” and Item 8 “Financial Statements and Supplementary Data—Note 13 to the Consolidated Financial Statements—Commitments and Contingencies.”

Backlog

Mattel ships products in accordance with delivery schedules specified by its customers, which usually request delivery within three months. In the toy industry, orders are subject to cancellation or change at any time prior to shipment. In recent years, a trend toward just-in-time inventory practices in the toy industry has resulted in fewer advance orders and therefore less backlog of orders. Mattel believes that the amount of backlog orders at any given time may not accurately indicate future sales.

Financial Instruments

Currency exchange rate fluctuations may impact Mattel’s results of operations and cash flows. 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. 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.

For additional information regarding foreign currency contracts, see “International Segment” above, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” and Item 8 “Financial Statements and Supplementary Data—Note 11 to the Consolidated Financial Statements—Derivative Instruments.”

Seasonal Financing

See Item 8 “Financial Statements and Supplementary Data—Note 7 to the Consolidated Financial Statements—Seasonal Financing and Debt.”

Government Regulations and Environmental Quality

Mattel’s products sold in the US are subject to the provisions of the Consumer Product Safety Act, as amended by the Consumer Product Safety Improvements Act of 2008, the Federal Hazardous Substances Act, and the Consumer Product Safety Improvement Act of 2008, and may also be subject to the requirements of the Flammable Fabrics Act or the Food, Drug, and Cosmetics Act, and the regulations promulgated pursuant to such statutes. These statutes and the related regulations ban from the market consumer products that fail to comply with applicable product safety laws, regulations, and standards. The Consumer Product Safety Commission may require the recall, repurchase, replacement, or repair of any such banned products or products that otherwise create a substantial risk of injury and may seek penalties for regulatory noncompliance under certain circumstances. Similar laws exist in some US states.

Mattel’s products sold worldwide are subject to the provision of similar laws and regulations in many jurisdictions including new product safety laws and regulations in the European Union and Canada.

Mattel maintains a quality control program to help ensure compliance with various US federal, state, and applicable foreign product safety requirements. Nonetheless, Mattel has experienced, and may in the future experience, issues in products that result in recalls, withdrawals, or replacements of products. A product recall

Table of Contents

could have a material adverse effect on Mattel's results of operations and financial condition, depending on the product affected by the recall and the extent of the recall efforts required. A product recall could also negatively affect Mattel's reputation and the sales of other Mattel products. See Item 1A "Risk Factors—Factors That May Affect Future Results" and Item 8 "Financial Statements and Supplementary Data—Note 4 to the Consolidated Financial Statements—Product Recalls and Withdrawals."

Mattel's advertising is subject to the Federal Trade Commission Act, The Children's Television Act of 1990, the rules and regulations promulgated by the Federal Trade Commission, and the Federal Communications Commission, as well as laws of certain countries that regulate advertising and advertising to children. In addition, Mattel's websites that are directed towards children are subject to the Children's Online Privacy Protection Act of 1998.

Mattel's worldwide operations are subject to the requirements of various environmental laws and regulations in the jurisdictions where those operations are located. Mattel believes that it is in substantial compliance with those laws and regulations. Mattel's operations are from time to time the subject of investigations, conferences, discussions, and negotiations with various federal, state and local environmental agencies within and outside the United States with respect to the discharge or cleanup of hazardous waste. Mattel is not aware of any material cleanup liabilities.

Mattel is subject to various other federal, state, local and international laws and regulations applicable to its business. Mattel believes that it is in substantial compliance with these laws and regulations.

Employees

The total number of persons employed by Mattel and its subsidiaries at any one time varies because of the seasonal nature of its manufacturing operations. At December 31, 2011, Mattel's total number of employees was approximately 28,000.

Executive Officers of the Registrant

The current executive officers of Mattel, all of whom are appointed annually by and serve at the pleasure of the Board of Directors, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Executive Officer Since</u>
Bryan G. Stockton	58	Chief Executive Officer and Director	2000
David Allmark	48	Executive Vice President, Fisher-Price Brands	2011
Ellen L. Brothers	56	Executive Vice President of Mattel and President, American Girl	2003
Thomas A. Debrowski	61	Executive Vice President, Worldwide Operations	2000
Kevin M. Farr	54	Chief Financial Officer	1996
Alan Kaye	58	Executive Vice President, Chief Human Resources Officer	2000
Timothy J. Kilpin	51	Executive Vice President, Mattel Brands El Segundo	2011
Geoff M. Massingberd	54	Executive Vice President, International	2007
Robert Normile	52	Executive Vice President, Chief Legal Officer and Secretary	1999
Jean-Christophe Pean	47	Executive Vice President, North America	2012
Mandana Sadigh	52	Senior Vice President and Treasurer	2010
H. Scott Topham	51	Senior Vice President and Corporate Controller	2004

Table of Contents

Mr. Stockton has been Chief Executive Officer and a director since January 2012. He served as Chief Operating Officer from January 2011 to December 2011, as President, International from November 2007 to January 2011, as Executive Vice President, International from February 2003 to November 2007 and as Executive Vice President, Business Planning and Development from November 2000 until February 2003. From April 1998 until November 2000, he was President and Chief Executive Officer of Basic Vegetable Products, the largest manufacturer of vegetable ingredients in the world. For more than 20 years prior to that, he was employed by Kraft Foods, Inc., the largest packaged food company in North America, and was President of Kraft North American Food Service from August 1996 to March 1998.

Mr. Allmark has been Executive Vice President, Fisher-Price Brands since February 2011. From January 2008 to February 2011, he served as Senior Vice President and General Manager of Mattel's United Kingdom, Canada, and Eastern European markets and, from October 2005 to December 2007, as Senior Vice President and General Manager of Fisher-Price Friends. Mr. Allmark served as a Vice President in Mattel's International group from August 2001 to October 2005 and as Marketing Director of Mattel's UK group from January 1999 to July 2001. From May 1995, he served as Director of UK Sales and Marketing of Bluebird Toys P.L.C., which was acquired by Mattel in 1998, and prior to that he spent 12 years working in sales and marketing for various companies in the toy industry.

Ms. Brothers has been Executive Vice President of Mattel and President, American Girl since July 2000. From November 1998 to July 2000, she was Senior Vice President of Operations, Pleasant Company (which merged with and into Mattel on December 31, 2003, followed immediately on January 1, 2004, by an asset transfer to Mattel's subsidiary American Girl). From January 1997 to November 1998, she was Vice President of the Catalogue Division, Pleasant Company. She joined Pleasant Company in 1995, prior to its acquisition by Mattel in July 1998, as Vice President of Catalogue Marketing.

Mr. Debrowski has been Executive Vice President, Worldwide Operations since November 2000. From February 1992 until November 2000, he was Senior Vice President-Operations and a director of The Pillsbury Company. From September 1991 until February 1992, he was Vice President of Operations for the Baked Goods Division of The Pillsbury Company. Prior to that, he served as Vice President and Director of Grocery Operations for Kraft U.S.A.

Mr. Farr has been Chief Financial Officer since February 2000. From September 1996 to February 2000, he was Senior Vice President and Corporate Controller. From June 1993 to September 1996, he served as Vice President, Tax. Prior to that, he served as Senior Director, Tax from August 1992 to June 1993.

Mr. Kaye has been Executive Vice President, Chief Human Resources Officer since February 2011. From July 1997 to February 2011, he was Senior Vice President, Human Resources. From June 1996 to June 1997, he was President, Texas Division of Kaufman and Broad Homes, a home building company. From June 1991 to June 1996, he served as Senior Vice President, Human Resources for Kaufman and Broad Homes. Prior to that, he worked for two years with the Hay Group, a compensation consulting firm and for 12 years with IBM in various human resources positions.

Mr. Kilpin has been Executive Vice President, Mattel Brands El Segundo since February 2011. From February 2010 to February 2011, he served as General Manager and Senior Vice President, Mattel Brands El Segundo. Mr. Kilpin served as General Manager and Senior Vice President for the Girls, Boys and Games groups from November 2008 to February 2010 and for the Boys group from October 2005 to November 2008. Prior to rejoining Mattel as a Senior Vice President, Marketing in 2003, Mr. Kilpin was Executive Vice President of Studio Franchise Management at The Walt Disney Company. Mr. Kilpin first joined Mattel in August 1984 and until October 1999, held various marketing positions, culminating as Executive Vice President and General Manager of the then Character Brands business unit.

Mr. Massingberd has been Executive Vice President, International since February 2011. Before that, he served as Senior Vice President, Corporate Responsibility from September 2007 to February 2011. From

Table of Contents

February 1998 to August 2007, he served as Senior Vice President and General Manager of Mattel's International divisions in Canada, Australia, New Zealand, Asia, and Latin America and from August 1997 to February 1998, he was Vice President, Sales for Mattel Canada. Prior to joining Mattel, Mr. Massingberd spent 18 years with Nestle S.A. and served in various roles, including Vice President, Sales and head of Nestle Canada's Confectionery division.

Mr. Normile has been Executive Vice President, Chief Legal Officer and Secretary since February 2011. From March 1999 to February 2011, he was Senior Vice President, General Counsel and Secretary. He served as Vice President, Associate General Counsel and Secretary from August 1994 to March 1999. From June 1992 to August 1994, he served as Assistant General Counsel. Prior to that, he was associated with the law firms of Latham & Watkins LLP and Sullivan & Cromwell LLP.

Mr. Pean has been Executive Vice President, North America since February 2012. He served as Senior Vice President and General Manager of Asia Pacific from December 2007 to January 2012, and Vice President and General Manager UK from August 2004 to December 2007. He began working at Mattel as Sales Director in 1998. Prior to joining Mattel, he spent 11 years with Colgate Palmolive.

Ms. Sadigh has been Senior Vice President and Treasurer since November 2010. She served as Senior Vice President, Mattel Brands Finance and Strategy from October 2005 to November 2010. From January 2001 to October 2005, she served as Senior Vice President in various leadership roles, including Corporate Strategic Planning, Sales Strategy, and International Finance. From December 1999 until January 2001, she served as Vice President and Assistant Controller. From August 1991 to December 1999, she served in various Corporate Finance positions. Prior to joining Mattel, Ms. Sadigh spent 8 years in the banking industry.

Mr. Topham has been Senior Vice President and Corporate Controller since September 2005. He served as Senior Vice President and Treasurer from March 2005 to August 2005 and as Vice President and Treasurer from March 2004 to March 2005. Prior to that, he served as Vice President and Assistant Controller from May 2001 to March 2004. From August 2000 to May 2001, he served as Vice President and Treasurer of Premier Practice Management, Inc. From June 1999 to August 2000, he served as Division Vice President of Dataworks, Inc., a specialized publishing company. Prior to that, he spent eight years with Total Petroleum (North America) Ltd., most recently as Vice President of Human Resources.

Available Information

Mattel files its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") with the SEC. The public may read and copy any materials that Mattel files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Mattel's Internet website address is <http://corporate.mattel.com>. Mattel makes available on its Internet website, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.

Item 1A. Risk Factors.

(Cautionary Statement Under the Private Securities Litigation Reform Act of 1995)

Mattel is including this Cautionary Statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") for forward-looking statements.

Table of Contents

This Annual Report on Form 10-K 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,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could,” “may,” “aims,” “intends,” or “projects.” 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 Form 10-K. These forward-looking statements are all based on currently available operating, financial, economic and competitive information and are subject to various risks and uncertainties. The Company’s actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed below.

Factors That May Affect Future Results

If Mattel does not successfully identify or satisfy consumer preferences, its results of operations may be adversely affected.

Mattel’s business and operating results depend largely upon the appeal of its toy products. Consumer preferences, particularly among end users of Mattel’s products—children—are continuously changing. Significant, sudden shifts in demand are caused by “hit” toys and trends, which are often unpredictable. Mattel offers a diverse range of products for children of all ages and families that includes, among others, toys for infants and preschoolers, girls’ toys, boys’ toys, youth electronics, digital media, hand-held and other games, puzzles, educational toys, media-driven products, and fashion-related toys. Mattel competes domestically and internationally with a wide range of large and small manufacturers, marketers and sellers of toys, video games, consumer electronics and other play products, as well as retailers, which means that Mattel’s market position is always at risk. Mattel’s ability to maintain its current product sales, and increase its product sales or establish product sales with new, innovative toys, will depend on Mattel’s ability to satisfy play preferences, enhance existing products, develop and introduce new products, and achieve market acceptance of these products. These challenges are intensifying due to recent trends towards shorter life cycles for individual toy products, the phenomenon of children outgrowing traditional toys at younger ages, and an increasing use of more sophisticated technology in toys. If Mattel does not successfully meet the challenges outlined above in a timely and cost-effective manner, demand for its products could decrease, and Mattel’s revenues, profitability and results of operations may be adversely affected.

High levels of competition make it difficult to achieve, maintain, or build upon the success of Mattel’s brands, products, and product lines.

Mattel faces competitors who are also constantly monitoring and attempting to anticipate consumer tastes, seeking ideas which will appeal to consumers and introducing new products that compete with Mattel’s products. In addition, competition for access to entertainment properties could lessen Mattel’s ability to secure, maintain, and renew popular licenses to entertainment products developed by other parties and licensed to Mattel or require Mattel to pay licensors higher royalties and higher minimum guaranteed payments in order to obtain or retain these licenses. If demand for Mattel’s brands, products and product lines is reduced as a result of these factors, Mattel’s results of operations may be adversely affected.

Inaccurately anticipating changes and trends in popular culture, media and movies, fashion, or technology can negatively affect Mattel’s sales.

Successful movies and characters in children’s literature affect play preferences, and many toys depend on media-based intellectual property licenses. Media-based licenses can cause a line of toys to gain immediate success among children, parents, or families. Trends in media, movies, and children’s characters change swiftly and contribute to the transience and uncertainty of play preferences. In addition, certain developments in the entertainment industry, including labor strikes, could cause delay or interruption in the release of new movies and

Table of Contents

television programs and could adversely affect the sales of Mattel's toys based on such movies and television programs. Mattel responds to such trends and developments by modifying, refreshing, extending, and expanding its product offerings on an annual basis. If Mattel does not accurately anticipate trends in popular culture, movies, media, fashion, or technology, its products may not be accepted by children, parents, or families and Mattel's revenues, profitability, and results of operations may be adversely affected.

Mattel's business is highly seasonal and its operating results depend, in large part, on sales during the relatively brief traditional holiday season. Any events that disrupt Mattel's business during its peak demand times could significantly, adversely and disproportionately affect Mattel's business.

Mattel's business is subject to risks associated with the underproduction of popular toys and the overproduction of toys that are less popular with consumers. Sales of toy products at retail are highly seasonal, with a majority of retail sales occurring during the period from September through December. As a result, Mattel's operating results depend, in large part, on sales during the relatively brief traditional holiday season. Retailers attempt to manage their inventories tightly, which requires Mattel to ship products closer to the time the retailers expect to sell the products to consumers. This in turn results in shorter lead times for production. Management believes that the increase in "last minute" shopping during the holiday season and the popularity of gift cards (which often shift purchases to after the holiday season) may negatively impact customer re-orders during the holiday season. These factors may decrease sales or increase the risks that Mattel may not be able to meet demand for certain products at peak demand times or that Mattel's own inventory levels may be adversely impacted by the need to pre-build products before orders are placed.

In addition, as a result of the seasonal nature of Mattel's business, Mattel may be significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events, such as terrorist attacks, economic shocks, earthquakes or other catastrophic events, that harm the retail environment or consumer buying patterns during its key selling season, or by events, such as strikes, disruptions in transportation or port delays, that interfere with the manufacture or shipment of goods during the critical months leading up to the holiday purchasing season.

Mattel has significant customer concentration, so that economic difficulties or changes in the purchasing policies or patterns of its key customers could have a significant impact on Mattel's business and operating results.

A small number of customers account for a large share of Mattel's net sales. In 2011, Mattel's three largest customers, Wal-Mart, Toys "R" Us, and Target, in the aggregate, accounted for approximately 38% of net sales, and its ten largest customers, in the aggregate, accounted for approximately 48% of net sales. While the concentration of Mattel's business with a relatively small number of customers may provide certain benefits to Mattel, such as potentially more efficient product distribution and decreased costs of sales and distribution, this concentration may expose Mattel to a material adverse effect if one or more of Mattel's large customers were to significantly reduce purchases for any reason, favor competitors or new entrants, or increase their direct competition with Mattel by expanding their private-label business. Customers make no binding long-term commitments to Mattel regarding purchase volumes and make all purchases by delivering one-time purchase orders. Any customer could reduce its overall purchases of Mattel's products, reduce the number and variety of Mattel's products that it carries and the shelf space allotted for Mattel's products, or otherwise seek to materially change the terms of the business relationship at any time. Any such change could significantly harm Mattel's business and operating results.

Liquidity problems or bankruptcy of Mattel's key customers could have a significant adverse effect on Mattel's business, financial condition and results of operations.

Mattel's sales to customers are typically made on credit without collateral. There is a risk that key customers will not pay, or that payment may be delayed, because of bankruptcy, contraction of credit availability to such

Table of Contents

customers, weak retail sales or other factors beyond the control of Mattel, which could increase Mattel's exposure to losses from bad debts. In addition, if key customers were to cease doing business as a result of bankruptcy or significantly reduce the number of stores operated, it could have a significant adverse effect on Mattel's business, financial condition, and results of operations.

Significant increases in the price of commodities, transportation, or labor, if not offset by declines in other input costs, or a reduction or interruption in the delivery of raw materials, components and finished products from Mattel's vendors could negatively impact Mattel's financial results.

Cost increases, whether resulting from rising costs of materials, transportation, services, labor or compliance with existing or future regulatory requirements could impact the profit margins realized by Mattel on the sale of its products. Because of market conditions, timing of pricing decisions, and other factors, there can be no assurance that Mattel will be able to offset any of these increased costs by adjusting the prices of its products. Increases in prices of Mattel's products may not be sustainable, and could result in lower sales. Mattel's ability to meet customer demand depends, in part, on its ability to obtain timely and adequate delivery of materials, parts and components from its suppliers and internal manufacturing capacity. Mattel has experienced shortages in the past, including shortages of raw materials and components. Although Mattel works closely with suppliers to avoid these types of shortages, there can be no assurance that Mattel will not encounter these problems in the future. A reduction or interruption in supplies or in the delivery of finished products, whether resulting from more stringent regulatory requirements, disruptions in transportation, port delays, labor strikes, lockouts, an outbreak of a severe public health pandemic, the occurrence or threat of wars or other conflicts, or otherwise, or a significant increase in the price of one or more supplies, such as fuel or resin (which is an oil-based product used in plastics), could negatively impact Mattel's financial results.

Significant changes in currency exchange rates or the ability to transfer capital across borders could have a significant adverse effect on Mattel's business and results of operations.

Mattel operates facilities and sells products in numerous countries outside the United States. During 2011, Mattel's net sales to international customers comprised 48% of Mattel's total consolidated net sales. Management expects that sales to international customers will continue to account for a significant portion of Mattel's sales. Furthermore, Mattel's net investment in its foreign subsidiaries and its results of operations and cash flows are subject to changes in currency exchange rates and regulations. Highly inflationary economies of certain foreign countries can result in foreign currency devaluation, which negatively impacts Mattel's profitability. Mattel seeks to mitigate the exposure of its results of operations to fluctuations in currency exchange rates by aligning its prices with the local currency cost of acquiring inventory, distributing earnings in US Dollars, and partially hedging this exposure using foreign currency forward exchange contracts. These contracts are primarily used to hedge Mattel's purchase and sale of inventory, and other intercompany transactions denominated in foreign currencies. Government action may restrict Mattel's ability to transfer capital across borders and may also impact the fluctuation of currencies in the countries where Mattel conducts business or has invested capital. Significant changes in currency exchange rates, reductions in Mattel's ability to transfer its capital across borders, and changes in government-fixed currency exchange rates, including the Chinese yuan and Venezuelan bolivar fuerte, could have a significant adverse effect on Mattel's business and results of operations.

If global economic conditions deteriorate, Mattel's business and financial results could be adversely affected.

Mattel designs, manufactures, and markets a wide variety of toy products worldwide through sales to customers and directly to consumers. Mattel's performance is impacted by the level of discretionary consumer spending, which remains relatively weak in the United States and in many countries around the world in which Mattel does business. Consumers' discretionary purchases of toy products may be impacted by job losses, foreclosures, bankruptcies, reduced access to credit, significantly falling home prices, lower consumer

Table of Contents

confidence, and other macroeconomic factors that affect consumer spending behavior. Any of these factors can reduce the amount which consumers spend on the purchase of Mattel's products. Deterioration of global economic conditions or disruptions in credit markets in the markets in which Mattel operates could potentially have a material adverse effect on Mattel's liquidity and capital resources, including increasing Mattel's cost of capital or its ability to raise additional capital if needed, or otherwise adversely affect Mattel's business and financial results.

In addition to experiencing potentially lower revenues during times of economic difficulty, in an effort to maintain sales during such times, Mattel may need to increase promotional spending or take other steps to encourage retailer and consumer purchase of its products. Those steps may lower net sales, increase costs and/or decrease operating margins.

Failure to successfully implement new initiatives could have a significant adverse effect on Mattel's business, financial condition and results of operations.

Mattel has announced, and in the future may announce, initiatives to reduce its costs, increase its efficiency, improve the execution of its core business, globalize and extend Mattel's brands, catch new trends, create new brands, and offer new innovative products, enhance product safety, develop people, improve productivity, simplify processes, maintain customer service levels, as well as initiatives designed to drive sales growth, capitalize on Mattel's scale advantage, and improve its supply chain. These initiatives involve investment of capital and complex decision-making as well as extensive and intensive execution, and the success of these initiatives is not assured. Failure to successfully implement any of these initiatives, or the failure of any of these initiatives to produce the results anticipated by management, could have a significant adverse effect on Mattel's business, financial condition, and results of operations.

Mattel's business depends in large part on the success of its vendors and outsourcers, and Mattel's brands and reputation may be harmed by actions taken by third-parties that are outside Mattel's control. In addition, any material failure, inadequacy, or interruption resulting from such vendors or outsourcings could harm Mattel's ability to effectively operate its business.

As a part of its efforts to cut costs, achieve better efficiencies and increase productivity and service quality, Mattel relies significantly on vendor and outsourcing relationships with third parties for services and systems including manufacturing, transportation, logistics and information technology. Any shortcoming of a Mattel vendor or outsourcer, particularly an issue affecting the quality of these services or systems, may be attributed by customers to Mattel, thus damaging Mattel's reputation, brand value, and potentially affecting its results of operations. In addition, problems with transitioning these services and systems to or operating failures with these vendors and outsourcers could cause delays in product sales, reduce efficiency of Mattel's operations, and significant capital investments could be required to remediate the problem.

Increases in interest rates, reduction of Mattel's credit ratings, contraction of credit availability, or the inability of Mattel to meet the debt covenant requirements in its credit facilities could negatively impact Mattel's ability to conduct its operations.

Mattel relies on external financing, including commercial paper and borrowings under its domestic unsecured committed revolving credit facility, to help fund its seasonal working capital needs. Increases in interest rates, both domestically and internationally, could negatively affect Mattel's cost of financing its operations. Any reduction in Mattel's credit ratings could increase the cost of obtaining financing. Mattel may be hindered from obtaining, or incur additional costs to obtain, additional credit in tight credit markets. Additionally, Mattel's ability to issue long-term debt and obtain seasonal financing could be adversely affected by factors such as market conditions and an inability to meet its debt covenant requirements, which include maintaining certain financial ratios. Mattel's ability to conduct its operations could be negatively impacted should these or other adverse conditions affect its ability to access these sources of liquidity.

Table of Contents

If Mattel is not able to adequately protect its proprietary intellectual property and information, its results of operations could be adversely affected.

The value of Mattel's business depends on its ability to protect its intellectual property and information, including its trademarks, trade names, copyrights, patents and trade secrets, in the US and around the world, as well as its customer, employee, and consumer data. Mattel may need to resort to litigation to protect its intellectual property rights, which could result in substantial costs and diversion of resources. If Mattel fails to protect its proprietary intellectual property and information, including any successful challenge to Mattel's ownership of its intellectual property or material infringements of its intellectual property, this failure could have a significant adverse effect on Mattel's business, financial condition, and results of operations.

Mattel has acquired certain intellectual properties from third parties. Declines in the profitability of these acquired brands may impact Mattel's ability to recover the carrying value of the related assets and could result in an impairment charge. Reduction in net earnings caused by impairment charges could harm Mattel's financial results.

Unfavorable resolution of pending and future litigation matters and disputes could have a significant adverse effect on Mattel's financial condition.

Mattel is involved in a number of litigation and regulatory matters. An unfavorable resolution of these pending matters could have a significant adverse effect on Mattel's financial condition and its operations. Regardless of its outcome, litigation may result in substantial costs and expenses, and significantly divert the attention of management. There can be no assurance that Mattel will be able to prevail in, or achieve a favorable settlement of, pending matters. In addition to the pending matters, future litigation, government proceedings, labor disputes, or environmental matters could lead to increased costs or interruption of Mattel's normal business operations.

Mattel is subject to various laws and government regulations in numerous jurisdictions, violation of which could subject it to sanctions. In addition, changes in such laws or regulations may lead to increased costs, changes in Mattel's effective tax rate, or the interruption of normal business operations that would negatively impact Mattel's financial condition and results of operations.

Mattel operates in a highly regulated environment in the US and international markets. US federal, state, and local governmental entities, and foreign governments regulate many aspects of Mattel's business, including its products and the importation and exportation of its products. These regulations may include accounting standards, taxation requirements (including changes in applicable income tax rates, new tax laws and revised tax law interpretations), product safety and other safety standards, trade restrictions, duties and tariffs, and regulations regarding currency and financial matters, environmental matters, advertising directed toward children, product content, and privacy and data protection, as well as other administrative and regulatory restrictions. While Mattel takes all the steps it believes are necessary to comply with these laws and regulations, there can be no assurance that Mattel will be in compliance in the future. Failure to comply could result in monetary liabilities and other sanctions which could have a negative impact on Mattel's business, financial condition and results of operations.

In addition, changes in laws or regulations may lead to increased costs, changes in Mattel's effective tax rate, or the interruption of normal business operations that would negatively impact its financial condition and results of operations.

Issues with products may lead to product liability, personal injury or property damage claims, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities that could divert resources, affect business operations, decrease sales, increase costs, and put Mattel at a competitive disadvantage, any of which could have a significant adverse effect on Mattel's financial condition.

Mattel has experienced, and may in the future experience, issues with products that may lead to product liability, personal injury or property damage claims, recalls, withdrawals, replacements of products, or regulatory

Table of Contents

actions by governmental authorities. Any of these activities could result in increased governmental scrutiny, harm to Mattel's reputation, reduced demand by consumers for its products, decreased willingness by retailer customers to purchase or provide marketing support for those products, adverse impacts on Mattel's ability to enter into licensing agreements for products on competitive terms, absence or increased cost of insurance, or additional safety and testing requirements. Such results could divert development and management resources, adversely affect Mattel's business operations, decrease sales, increase legal fees and other costs, and put Mattel at a competitive disadvantage compared to other manufacturers not affected by similar issues with products, any of which could have a significant adverse effect on Mattel's financial condition.

Mattel's current and future operating procedures and product requirements may increase costs, significantly and adversely affect its relationship with vendors, and make it more difficult for Mattel to produce, purchase, and deliver products on a timely basis to meet market demands. Future conditions may require Mattel to adopt further changes that may increase its costs and further affect its relationship with vendors.

Mattel's current operating procedures and product requirements, including testing requirements and standards, have imposed costs on both Mattel and the vendors from which it purchases products. Changes in business conditions, including those resulting from new legislative and regulatory requirements, have caused and in the future could cause further revisions in Mattel's operating procedures and product requirements. Changes in Mattel's operating procedures and product requirements may delay delivery of products and increase costs. Mattel's relationship with its existing vendors may be adversely affected as a result of these changes, making Mattel more dependent on a smaller number of vendors. Some vendors may choose not to continue to do business with Mattel or not to accommodate Mattel's needs to the extent that they have done in the past. In addition, rising production costs, contraction of credit availability, and labor shortages have caused a substantial contraction in the number of toy manufacturers in China, decreasing the number of potential vendors to manufacture Mattel's products. Because of the seasonal nature of Mattel's business and the demands of its customers for deliveries with short lead times, Mattel depends upon the cooperation of its vendors to meet market demand for its products in a timely manner. There can be no assurance that existing and future events will not require Mattel to adopt additional requirements and incur additional costs, and impose those requirements and costs on its vendors, which may adversely affect its relationship with those vendors and Mattel's ability to meet market demand in a timely manner.

Political developments, including trade relations, and the threat or occurrence of war or terrorist activities could adversely impact Mattel, its personnel and facilities, its customers and suppliers, retail and financial markets, and general economic conditions.

Mattel's business is worldwide in scope, including operations in 43 countries and territories. The deterioration of the political situation in a country in which Mattel has significant sales or operations, or the breakdown of trade relations between the US and a foreign country in which Mattel has significant manufacturing facilities or other operations, could adversely affect Mattel's business, financial condition, and results of operations. For example, a change in trade status for China could result in a substantial increase in the import duty of toys manufactured in China and imported into the US. In addition, the occurrence of war or hostilities between countries or threat of terrorist activities, and the responses to and results of these activities, could adversely impact Mattel, its personnel and facilities, its customers and suppliers, retail and financial markets, and general economic conditions.

Disruptions in Mattel's manufacturing operations due to political instability, civil unrest, or disease could negatively impact Mattel's business, financial position, and results of operations.

Mattel owns, operates and manages manufacturing facilities and utilizes third-party manufacturers throughout Asia, primarily in China, Indonesia, Malaysia and Thailand. The risk of political instability and civil unrest exists in certain of these countries, which could temporarily or permanently damage Mattel's

Table of Contents

manufacturing operations located there. In the past, outbreaks of SARS have been significantly concentrated in Asia, particularly in Hong Kong, and in the Guangdong province of China, where many of Mattel's manufacturing facilities and third-party manufacturers are located. The design, development and manufacture of Mattel's products could suffer if a significant number of Mattel's employees or the employees of its third-party manufacturers or their suppliers contract SARS, avian flu or other communicable diseases, or otherwise are unable to fulfill their obligations to Mattel. While Mattel has developed contingency plans designed to help mitigate the impact of disruptions in its manufacturing operations, its business, financial position, and results of operations could be negatively impacted by a significant disruption to its manufacturing operations or suppliers.

Earthquakes or other catastrophic events out of Mattel's control may damage its facilities or those of its contractors and harm Mattel's results of operations.

Mattel has significant operations near major earthquake faults, including its corporate headquarters in Southern California. A catastrophic event where Mattel has important operations, such as an earthquake, tsunami, flood, typhoon, fire, or other natural or manmade disaster, could disrupt Mattel's operations or those of its contractors and impair production or distribution of its products, damage inventory, interrupt critical functions, or otherwise affect its business negatively, harming Mattel's results of operations.

The production and sale of private-label toys by Mattel's retail customers may result in lower purchases of Mattel-branded products by those retail customers.

In recent years, consumer goods companies generally, including those in the toy business, have experienced the phenomenon of retail customers developing their own private-label products that directly compete with the products of traditional manufacturers. Some retail chains that are customers of Mattel sell private-label toys designed, manufactured and branded by the retailers themselves. These toys may be sold at prices lower than comparable toys sold by Mattel and may result in lower purchases of Mattel-branded products by these retailers. In some cases, retailers who sell these private-label toys are larger than Mattel and may have substantially more resources than Mattel.

Mattel's failure to successfully market or advertise its products could have an adverse effect on Mattel's business, financial condition, and results of operations.

Mattel's products are marketed worldwide through a diverse spectrum of advertising and promotional programs. Mattel's ability to sell products is dependent in part upon the success of these programs. If Mattel does not successfully market its products or if media or other advertising or promotional costs increase, these factors could have an adverse effect on Mattel's business, financial condition, and results of operations.

Mattel depends on key personnel and may not be able to hire, retain, and integrate sufficient qualified personnel to maintain and expand its business.

Mattel's future success depends partly on the continued contribution of key executives, designers, technical, sales, marketing, manufacturing, and administrative personnel. The loss of services of any of Mattel's key personnel could harm Mattel's business. Recruiting and retaining skilled personnel is costly and highly competitive. If Mattel fails to retain, hire, train, and integrate qualified employees and contractors, Mattel may not be able to maintain or expand its business.

Mattel may engage in acquisitions, mergers, or dispositions, which may affect the profit, revenues, profit margins, debt-to-capital ratio, capital expenditures, or other aspects of Mattel's business. In addition, Mattel has certain anti-takeover provisions in its by-laws that may make it more difficult for a third party to acquire Mattel without its consent, which may adversely affect Mattel's stock price.

Mattel may engage in acquisitions, mergers or dispositions, which may affect the profit, revenues, profit margins, debt-to-capital ratio, capital expenditures, or other aspects of Mattel's business. There can be no

Table of Contents

assurance that Mattel will be able to identify suitable acquisition targets or merger partners or that, if identified, it will be able to acquire these targets on terms acceptable to Mattel and to potential merger partners. There can also be no assurance that Mattel will be successful in integrating any acquired company into its overall operations, or that any such acquired company will operate profitably or will not otherwise adversely impact Mattel's results of operations. Further, Mattel cannot be certain that key talented individuals at those acquired companies will continue to work for Mattel after the acquisition or that they will continue to develop popular and profitable products or services. In addition, Mattel has certain anti-takeover provisions in its by-laws that may make it more difficult for a third party to acquire Mattel without its consent, which may adversely affect Mattel's stock price.

Mattel relies extensively on information technology in its operations, and any material failure, inadequacy, interruption, or security failure of that technology could harm its ability to effectively operate its business.

Mattel relies extensively on information technology systems, many of which are managed by third-party service providers, across its operations, including for management of its supply chain, sale and delivery of its products, and various other processes and transactions. Mattel's ability to effectively manage its business and coordinate the production, distribution, and sale of its products depends significantly on the reliability and capacity of these systems and third-party service providers. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could cause delays in product sales and reduced efficiency of its operations, and significant capital investments could be required to remediate the problem.

The level of returns on pension plan assets and the actuarial assumptions used for valuation purposes could affect Mattel's earnings in future periods. Changes in standards and government regulations could also affect its pension plan expense and funding requirements.

Assumptions used in determining projected benefit obligations and the fair value of plan assets for Mattel's pension plan are evaluated by Mattel in consultation with outside actuaries. In the event that Mattel determines that changes are warranted in the assumptions used, such as the discount rate, expected long term rate of return, or health care costs, its future pension benefit expenses could increase or decrease. Due to changing market conditions or changes in the participant population, the actuarial assumptions that Mattel uses may differ from actual results, which could have a significant impact on its pension and postretirement liability and related costs. Funding obligations are determined based on the value of assets and liabilities on a specific date as required under relevant government regulations for each plan. Future pension funding requirements, and the timing of funding payments, could be affected by legislation enacted by the relevant governmental authorities.

If Mattel's goodwill becomes impaired, Mattel's results of operations could be adversely affected.

Mattel tests goodwill for impairment annually, or more often if an event or circumstance indicates that an impairment may have occurred. For purposes of evaluating whether goodwill is impaired, goodwill is allocated to various reporting units, which are either at the operating segment level or one reporting level below the operating segment. Declines in profitability of Mattel's reporting units may impact the fair value of its reporting units, which could result in a write-down of its goodwill, negatively impacting its results of operations.

If any of the risks and uncertainties described in the cautionary factors listed above actually occurs, Mattel's business, financial condition and results of operations could be significantly and adversely affected. The factors listed above are not exhaustive. Other sections of this Annual Report on Form 10-K include additional factors that could materially and adversely impact Mattel's business, financial condition and results of operations. Moreover, Mattel operates in a very competitive and rapidly changing environment. New factors emerge from time to time, and it is not possible for management to predict the impact of all of these factors on Mattel's business, financial condition or results of operations, or the extent to which any factor, or combination of factors,

Table of Contents

may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Annual Report on Form 10-K and any other public statement made by Mattel or its representatives may turn out to be wrong. Mattel expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new developments or otherwise.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Mattel owns its corporate headquarters in El Segundo, California, consisting of approximately 335,000 square feet, and an adjacent office building consisting of approximately 55,000 square feet. Mattel also leases buildings in El Segundo consisting of approximately 327,000 square feet. All segments use these facilities. Mattel's Fisher-Price® subsidiary owns its headquarters facilities in East Aurora, New York, consisting of approximately 535,000 square feet, which is used by the Fisher-Price Brands US segment and for corporate support functions. American Girl Brands owns its headquarters facilities in Middleton, Wisconsin, consisting of approximately 180,000 square feet, a warehouse in Middleton, consisting of approximately 215,000 square feet, and distribution facilities in Middleton, DeForest, and Wilmot, Wisconsin, consisting of a total of approximately 948,000 square feet, all of which are used by the American Girl Brands segment. Mattel also owns its principal manufacturing facilities located in Indonesia, Thailand, Malaysia, and Mexico.

Mattel maintains leased sales offices in California, Illinois, Minnesota, New York, and Arkansas, and leased warehouse and distribution facilities in California, New Jersey, and Texas, all of which are used by the Domestic segment. Mattel has leased retail and related office space in Chicago, Illinois, New York, New York, and Los Angeles, California for its American Girl Place® stores, Dallas, Texas, Alpharetta, Georgia, Natick, Massachusetts, Bloomington, Minnesota, Lone Tree, Colorado, Overland Park, Kansas, McLean, Virginia, Lynnwood, Washington, and Chesterfield, Missouri for its American Girl® stores, leased retail space in Oshkosh, Wisconsin, which are used by the American Girl Brands segment, and Pomona, California, which is used by Mattel Brands. Mattel also has leased office space in Florida, which is used by the International segment. Internationally, Mattel has offices and/or warehouse space in Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Hungary, India, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Peru, Poland, Portugal, Puerto Rico, Russia, South Korea, Spain, Switzerland, Taiwan, Turkey, the United Kingdom, and Venezuela, which are leased (with the exception of office and warehouse space in Chile and certain warehouse space in France that is owned by Mattel) and used by the International segment. Mattel also has leased retail and related office space and principal manufacturing facilities in China.

For leases that are scheduled to expire during the next twelve months, Mattel may negotiate new lease agreements, renew existing lease agreements, or utilize alternate facilities. See Item 8 "Financial Statements and Supplementary Data—Note 13 to the Consolidated Financial Statements—Commitments and Contingencies." Mattel believes that its owned and leased facilities, in general, are suitable and adequate for its present and currently foreseeable needs.

Item 3. Legal Proceedings.

See Item 8 "Financial Statements and Supplementary Data—Note 13 to the Consolidated Financial Statements—Commitments and Contingencies."

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

For information regarding the markets in which Mattel’s common stock, par value \$1.00 per share, is traded, see the cover page hereof. For information regarding the high and low closing prices of Mattel’s common stock for the last two calendar years, see Item 8 “Financial Statements and Supplementary Data—Note 16 to the Consolidated Financial Statements—Quarterly Financial Information.”

Holders of Record

As of February 16, 2012, Mattel had approximately 34,000 holders of record of its common stock.

Dividends

During 2011, 2010, and 2009, Mattel paid total dividends per share of \$0.92, \$0.83, and \$0.75, respectively, to holders of its common stock. During 2011, the Board of Directors declared dividends on a quarterly basis, and Mattel paid the dividends during the quarter in which the dividends were declared. During 2010 and 2009, the Board of Directors declared the dividends annually in November of the respective years, and Mattel paid the dividends in December of the respective years. The payment of dividends on common stock is at the discretion of the Board of Directors and is subject to customary limitations.

Recent Sales of Unregistered Securities

During the fourth quarter of 2011, Mattel did not sell any unregistered securities.

Issuer Purchases of Equity Securities

During 2011, Mattel repurchased 20.4 million shares of its common stock at a cost of \$536.3 million. During 2010, Mattel repurchased 18.6 million shares of its common stock at a cost of \$446.7 million. During 2009, Mattel did not repurchase any shares of its common stock. During both 2011 and 2010, the Board of Directors authorized Mattel to increase its share repurchase program by \$500.0 million. At December 31, 2011, share repurchase authorizations of \$427.3 million had not been executed. Repurchases will take place from time to time, depending on market conditions. Mattel’s share repurchase program has no expiration date.

Table of Contents

This table provides certain information with respect to Mattel's purchases of its common stock during the fourth quarter of 2011:

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased</u>	<u>Average Price Paid per Share (or Unit)</u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</u>
October 1 – 31				
Repurchase program (1)	1,094,247	\$ 26.93	1,094,247	\$ 509,366,223
Employee transactions (2)	2,427	27.82	N/A	N/A
November 1 – 30				
Repurchase program (1)	1,152,798	27.81	1,152,798	477,302,850
Employee transactions (2)	13,637	28.50	N/A	N/A
December 1 – 31				
Repurchase program (1)	1,797,004	27.82	1,797,004	427,302,857
Employee transactions (2)	<u>3,593</u>	<u>27.76</u>	<u>N/A</u>	<u>N/A</u>
Total				
Repurchase program (1)	4,044,049	\$ 27.58	4,044,049	\$ 427,302,857
Employee transactions (2)	<u>19,657</u>	<u>28.28</u>	<u>N/A</u>	<u>N/A</u>

(1) Mattel announced its share repurchase program in July 2003. In October 2011, Mattel's Board of Directors authorized a \$500.0 million increase to Mattel's repurchase program. Repurchases will take place from time to time, depending on market conditions. Mattel's share repurchase program has no expiration date .

(2) Includes the sale of restricted shares for employee tax withholding obligations that occur upon vesting.

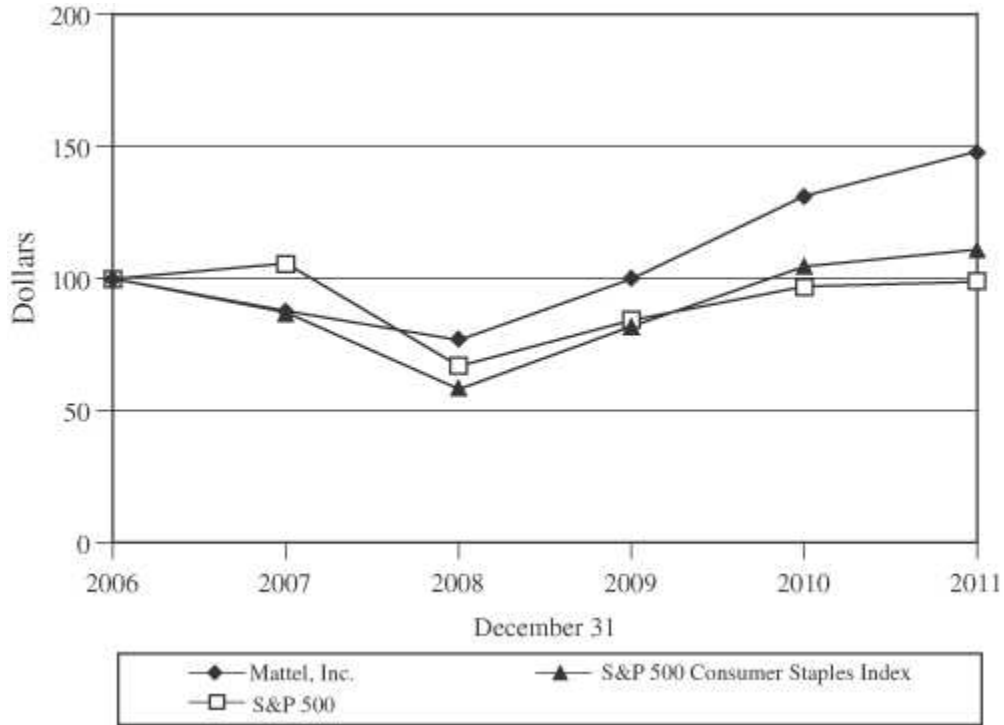
N/A Not applicable .

Table of Contents

Performance Graph

The following graph compares the performance of Mattel common stock with that of the S&P 500 Index and the S&P 500 Consumer Staples Index. The Cumulative Total Return listed below assumes an initial investment of \$100 on December 31, 2006 and reinvestment of dividends.

**Comparison of Five Year Cumulative Total Return
Mattel, Inc., S&P 500, and S&P 500 Consumer Staples Index**



<u>Cumulative Total Return</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Mattel, Inc.	\$ 87.33	\$76.30	\$99.54	\$130.83	\$147.55
S&P 500	105.48	66.93	84.28	96.78	98.81
S&P 500 Consumer Staples	86.90	58.05	81.71	104.25	110.68

Table of Contents

Item 6. Selected Financial Data.

	For the Year Ended December 31,				
	2011	2010	2009	2008	2007
	(In thousands, except per share and percentage information)				
Operating Results:					
Net sales	\$6,266,037	\$5,856,195	\$5,430,846	\$5,918,002	\$5,970,090
Gross profit	3,145,826	2,954,973	2,714,697	2,684,406	2,777,300
% of net sales	50.2%	50.5%	50.0%	45.4%	46.5%
Operating income	1,041,101	901,902	731,168	541,792	730,078
% of net sales	16.6%	15.4%	13.5%	9.2%	12.2%
Income before income taxes	970,673	846,825	660,047	487,964	703,398
Provision for income taxes (a)	202,165	161,962	131,343	108,328	103,405
Net income	\$ 768,508	\$ 684,863	\$ 528,704	\$ 379,636	\$ 599,993
Net income per common share—basic	\$ 2.20	\$ 1.88	\$ 1.45	\$ 1.04	\$ 1.55
Net income per common share—diluted	\$ 2.18	\$ 1.86	\$ 1.45	\$ 1.04	\$ 1.53
Dividends declared per common share	\$ 0.92	\$ 0.83	\$ 0.75	\$ 0.75	\$ 0.75
	December 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
Financial Position:					
Total assets	\$5,671,638	\$5,417,733	\$4,780,555	\$4,675,039	\$4,805,455
Noncurrent liabilities	2,022,107	1,438,867	1,188,692	1,297,930	928,284
Stockholders' equity	2,610,603	2,628,584	2,530,989	2,117,135	2,306,742

(a) The provision for income taxes in 2011 was positively impacted by net tax benefits of \$6.8 million, primarily related to reassessments of prior years' tax liabilities based on the status of current audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes. The provision for income taxes in 2010 was positively impacted by net tax benefits of \$16.8 million, primarily related to the release of a valuation allowance related to the anticipated utilization of excess foreign tax credit carryforwards, 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, partially offset by the incremental tax cost to repatriate earnings from certain foreign subsidiaries for which income taxes had not been previously provided. The provision for income taxes in 2009 was positively impacted by net tax benefits of \$28.8 million related to reassessments of prior years' tax liabilities based on the status of audits in various jurisdictions around the world, settlements, and enacted tax law changes. The provision for income taxes in 2007 was positively impacted by net tax benefits of \$42.0 million related to reassessments of prior years' tax liabilities based on the status of audits in various jurisdictions around the world, including settlements, partially offset by enacted tax law changes.

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes. See Item 8 "Financial Statements and Supplementary Data."

Overview

Mattel's vision is "creating the future of play." Mattel's objectives are to grow its share in the marketplace, sustain gross margins of about 50%, leverage its scale to deliver cost savings and lower its selling and administrative costs, and create long-term stockholder value. To achieve these objectives, management has established the following strategies:

The first strategy is to deliver consistent growth by continuing the momentum in its core brands, optimizing entertainment partnerships, building new franchises, and working to expand and leverage its international footprint.

The second strategy is to optimize operating margins through sustaining gross margins of about 50% and delivering on cost savings initiatives.

The third strategy is to generate significant cash flow and continue its disciplined, opportunistic, and value-enhancing deployment.

2011 Overview

During 2011, Mattel delivered strong financial results with solid revenue growth across its portfolio of brands and markets, despite the soft global economic backdrop and the highly promotional environment. Mattel maintained momentum in its core brands such as Barbie[®], Hot Wheels[®], American Girl[®], and its new franchise, Monster High[®], as well as maximized key entertainment properties such as Disney Princess[®] and CARS 2[®]. Mattel sustained gross margins at its long-term target of approximately 50% and generated \$1.04 billion of operating income, or 16.6% of net sales, which is within its long-term goal range of operating margins of 15% to 20%. Mattel also generated significant cash flow, which it deployed to create value for its stockholders. More specifically:

- Net sales increased to \$6.27 billion in 2011, up 7% from \$5.86 billion in 2010.
- Gross profit as a percentage of net sales decreased to 50.2% in 2011 from 50.5% in 2010. The decrease in gross profit as a percentage of net sales was driven primarily by higher product costs, higher royalty expenses as a result of increased sales of products tied to licensed properties, and unfavorable changes in foreign currency exchange rates, partially offset by price increases and net cost savings from Mattel's Operational Excellence 2.0 initiatives.
- Operating income increased from \$901.9 million in 2010 to \$1.04 billion in 2011, primarily due to higher net sales, lower incentive and share-based compensation expense, net cost savings from Mattel's Operational Excellence 2.0 program, and lower legal expenses, partially offset by higher employee-related costs.
- Mattel's Operational Excellence 2.0 program resulted in cost savings before severance charges and investments of approximately \$94 million (or approximately \$71 million in net cost savings). The gross cost savings included approximately \$53 million of structural cost savings generated by the program and approximately \$41 million of legal cost savings.
- Mattel paid total annual dividends of \$0.92 per share, an increase of 11% from the prior year, and repurchased 20.4 million shares of its common stock.

Table of Contents

2012 and Beyond

In 2012, Mattel will continue to work to deliver consistent growth and financial performance by executing against its existing strategies through: (i) capitalizing on Fisher-Price's global opportunity, (ii) integrating HIT Entertainment, which was acquired in February 2012, into Mattel (iii) optimizing its entertainment partnerships (which for 2012 include Brave™ and Batman®), (iv) continuing to accelerate growth in Monster High®, (v) creating new franchises, (vi) expanding into new toy categories, and (vii) continuing to expand its international footprint. In 2012, Mattel is implementing a change to its organizational structure to include a North America division and global brand teams. This new structure recognizes the opportunity to move decision-making for the US business closer to its retail customers and its toy consumers. Additionally, it gives Mattel's brand teams the ability to approach the business and creative process more globally, recognizing the growth outside the US. In addition, Mattel plans to deliver another year of cost savings through its Operational Excellence 2.0 initiatives.

Results of Operations

2011 Compared to 2010

Consolidated Results

Net sales for 2011 were \$6.27 billion, a 7% increase, as compared to \$5.86 billion in 2010, with favorable changes in currency exchange rates of 1 percentage point. Net income for 2011 was \$768.5 million, or \$2.18 per diluted share, as compared to net income of \$684.9 million, or \$1.86 per diluted share, in 2010. As compared to 2010, net income for 2011 was positively impacted by higher net sales and higher operating income, partially offset by a higher effective tax rate, higher interest expense, and higher other non-operating expense.

Gross profit as a percentage of net sales decreased to 50.2% in 2011 from 50.5% in 2010. The decrease in gross profit as a percentage of net sales was driven primarily by higher product costs, higher royalty expenses as a result of increased sales of products tied to licensed properties, and unfavorable changes in foreign currency exchange rates, partially offset by price increases and net cost savings from Mattel's Operational Excellence 2.0 initiatives.

The following table provides a summary of Mattel's consolidated results for 2011 and 2010 (in millions, except percentage and basis point information):

	For the Year				Year/Year Change	
	2011		2010		Basis Points	
	Amount	% of Net Sales	Amount	% of Net Sales	%	of Net Sales
Net sales	\$6,266.0	100.0%	\$5,856.2	100.0%	7%	
Gross profit	\$3,145.8	50.2%	\$2,955.0	50.5%	6%	(30)
Advertising and promotion expenses	699.2	11.2	647.3	11.1	8%	10
Other selling and administrative expenses	1,405.5	22.4	1,405.8	24.0	0%	(160)
Operating income	1,041.1	16.6	901.9	15.4	15%	120
Interest expense	75.3	1.2	64.8	1.1	16%	10
Interest (income)	(8.1)	-0.1	(8.4)	-0.1	-4%	-
Other non-operating expense (income), net	3.2		(1.3)			
Income before income taxes	\$ 970.7	15.5%	\$ 846.8	14.5%	15%	100

Sales

Net sales for 2011 were \$6.27 billion, a 7% increase, as compared to \$5.86 billion in 2010, with favorable changes in currency exchange rates of 1 percentage point. Gross sales within the US increased 3% in 2011, as compared to 2010, and accounted for 52% of consolidated gross sales in 2011, as compared to 54% of

Table of Contents

consolidated gross sales in 2010. Gross sales in international markets increased 12% in 2011, including favorable changes in currency exchange rates of 3 percentage points.

Worldwide gross sales of Mattel Girls & Boys Brands increased 13% in 2011 to \$4.15 billion, with favorable changes in currency exchange rates of 1 percentage point. Domestic gross sales of Mattel Girls & Boys Brands increased 9% and international gross sales increased 17%, with favorable changes in currency exchange rates of 3 percentage points. Worldwide gross sales of Barbie[®] increased 12%, with favorable changes in currency exchange rates of 2 percentage points. Domestic gross sales of Barbie[®] increased 8% and international gross sales increased 14%, with favorable changes in currency exchange rates of 2 percentage points. Worldwide gross sales of Other Girls products increased 27%, with favorable changes in currency exchange rates of 1 percentage point, driven primarily by higher sales of Monster High[®] and Disney Princess[®] products, partially offset by lower sales of Polly Pocket[®] and Little Mommy[®] products. Worldwide gross sales of Wheels products increased 2%, with favorable changes in currency exchange rates of 1 percentage point, driven primarily by higher sales of Hot Wheels[®] products internationally. Worldwide gross sales of Hot Wheels[®] increased 6%, with favorable changes in currency exchange rates of 2 percentage points. Worldwide gross sales of Entertainment products increased 16%, with favorable changes in currency exchange rates of 2 percentage points, driven primarily by higher sales of CARS 2[®] products, partially offset by lower sales of Toy Story[®] 3 products.

Worldwide gross sales of Fisher-Price Brands decreased 3% in 2011 to \$2.16 billion, with no impact from changes in currency exchange rates. Worldwide gross sales of Fisher-Price Brands were relatively flat with 2010, excluding sales related to the Sesame Street[®] license in 2010. Domestic gross sales of Fisher-Price Brands decreased 4% and international gross sales were flat with 2010, with favorable changes in currency exchange rates of 2 percentage points. Worldwide gross sales of Core Fisher-Price[®] increased 2%, with favorable changes in currency exchange rates of 1 percentage point. Domestic gross sales of Core Fisher-Price[®] increased 2% and international gross sales increased 3%, with favorable changes in currency exchange rates of 2 percentage points. Worldwide gross sales of Fisher-Price[®] Friends decreased 19%, with favorable changes in currency exchange rates of 1 percentage point, driven primarily by the discontinuation of the Sesame Street[®] license. Domestic gross sales of Fisher-Price[®] Friends decreased 26% and international gross sales decreased 10%, with favorable changes in currency exchange rates of 1 percentage point.

American Girl Brands gross sales increased 5% to \$510.9 million in 2011, driven primarily by sales from the American Girl[®] virtual world and Kanani[®], the 2011 Girl of the Year[®] doll, and the benefit of two new American Girl[®] stores in McLean, Virginia and Lynwood, Washington, which opened in June 2011 and July 2011, respectively.

Cost of Sales

Cost of sales as a percentage of net sales was 49.8% in 2011, as compared to 49.5% in 2010. Cost of sales increased by \$219.0 million, or 8%, from \$2.90 billion in 2010 to \$3.12 billion in 2011, as compared to a 7% increase in net sales. Within cost of sales, product costs increased by \$192.5 million, or 8%, from \$2.34 billion in 2010 to \$2.53 billion in 2011; royalty expenses increased \$16.5 million, or 7%, from \$245.9 million in 2010 to \$262.4 million in 2011; and freight and logistics expenses increased by \$10.0 million, or 3%, from \$313.7 million in 2010 to \$323.7 million in 2011.

Gross Profit

Gross profit as a percentage of net sales decreased to 50.2% in 2011 from 50.5% in 2010. The decrease in gross profit as a percentage of net sales was driven primarily by higher product costs, higher royalty expenses as a result of increased sales of products tied to licensed properties, and unfavorable changes in foreign currency exchange rates, partially offset by price increases and savings from Mattel's Operational Excellence 2.0 initiatives.

Advertising and Promotion Expenses

Advertising and promotion expenses increased to 11.2% of net sales in 2011, as compared to 11.1% of net sales in 2010.

Table of Contents

Other Selling and Administrative Expenses

Other selling and administrative expenses were \$1.41 billion in both 2011 and 2010, or 22.4% of net sales in 2011, as compared to 24.0% of net sales in 2010. Decreases in other selling and administrative expenses from lower legal expenses, lower incentive compensation expense, lower share-based compensation expense, and net cost savings from Mattel's Operational Excellence 2.0 initiatives, were offset by higher employee-related expenses, investments in strategic growth initiatives, and acquisition-related expenses of approximately \$10 million.

Non-Operating Items

Interest expense was \$75.3 million in 2011, as compared to \$64.8 million in 2010, driven primarily by higher average borrowings resulting from the \$500.0 million of senior notes issued in September 2010 and the \$600.0 million of senior notes issued in November of 2011, partially offset by the repayment of \$250.0 million of maturing debt in 2011 and lower average interest rates. Interest income decreased from \$8.4 million in 2010 to \$8.1 million in 2011, driven primarily by lower average interest rates, partially offset by higher average invested cash balances. Other non-operating expense was \$3.2 million in 2011, as compared to other non-operating income of \$1.3 million in 2010, driven primarily by other investment losses.

Provision for Income Taxes

Mattel's effective tax rate on income before income taxes in 2011 was 20.8%, as compared to 19.1% in 2010. The 2011 income tax provision includes net tax benefits of \$6.8 million, primarily related to reassessments of prior years' tax liabilities based on the status of current audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes. The 2010 income tax provision includes net tax benefits of \$16.8 million, primarily related to the release of a valuation allowance related to the anticipated utilization of excess foreign tax credit carryforwards, 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, partially offset by the incremental tax cost to repatriate earnings from certain foreign subsidiaries for which income taxes had not been previously provided.

Business Segment Results

Mattel's reportable segments are separately managed business units and are divided on a geographic basis between domestic and international. The Domestic segment is further divided into Mattel Girls & Boys Brands US, Fisher-Price Brands US, and American Girl Brands. Reportable segment results should be read in conjunction with Item 8 "Financial Statements and Supplementary Data—Note 14 to the Consolidated Financial Statements—Segment Information."

Mattel Girls & Boys Brands US

Mattel Girls & Boys Brands US gross sales were \$1.78 billion in 2011, up \$149.5 million or 9%, as compared to \$1.63 billion in 2010. Within this segment, gross sales of Barbie® products increased 8% and gross sales of Other Girls products increased 23%, driven primarily by higher sales of Monster High® and Disney Princess® products, partially offset by lower sales of Little Mommy® and Polly Pocket® products. Gross sales of Wheels products decreased 5%, driven primarily by lower sales of Matchbox® products. Gross sales of Entertainment products increased 14%, driven primarily by higher sales of CARS 2® products, partially offset by lower sales of Toy Story® 3 products. Cost of sales increased 9% in 2011, as compared to a 10% increase in net sales, primarily due to higher product costs and higher royalty expenses as a result of increased sales of products tied to licensed properties. Gross margins increased primarily due to price increases and product mix, partially offset by higher product costs.

Mattel Girls & Boys Brands US segment income increased 18% to \$483.5 million in 2011 from \$409.4 million in 2010, driven primarily by higher net sales and higher gross margins.

Table of Contents

Fisher-Price Brands US

Fisher-Price Brands US gross sales were \$1.29 billion in 2011, down \$58.9 million or 4%, as compared to \$1.35 billion in 2010. Fisher-Price US gross sales were relatively flat with 2010, excluding sales related to the Sesame Street® license in 2010. Within this segment, gross sales of Core Fisher-Price® products increased 2% and gross sales of Fisher-Price® Friends products decreased 26%, driven primarily by the discontinuation of the Sesame Street® license. Cost of sales decreased by 2% in 2011, as compared to a 5% decrease in net sales, but increased as a percentage of net sales primarily due to higher product costs. Gross margins decreased primarily due to higher product costs, partially offset by price increases.

Fisher-Price Brands US segment income decreased 27% to \$161.7 million in 2011 from \$222.0 million in 2010, driven primarily by lower net sales, lower gross margins, and higher other selling and administrative expenses.

American Girl Brands

American Girl Brands gross sales were \$510.9 million in 2011, up \$24.3 million or 5%, as compared to \$486.6 million in 2010, driven primarily by sales from the American Girl® virtual world and Kanani®, the 2011 Girl of the Year® doll, and the benefit of two new American Girl® stores in McLean, Virginia and Lynwood, Washington, which opened in June 2011 and July 2011, respectively. Cost of sales increased by 5% in 2011, and net sales increased by 5%, which resulted in relatively flat gross margins.

American Girl Brands segment operating income increased to \$113.1 million in 2011 from \$112.9 million in 2010, driven primarily by higher net sales, partially offset by higher other selling and administrative expenses from retail expansion and higher advertising and promotion expenses.

International Segment

The following table provides a summary of percentage changes in gross sales within the International segment in 2011 versus 2010:

	% Change in	Impact of Change in
Non-US Regions:	Gross Sales	Currency Rates (in % pts)
Total International	12	3
Europe	10	3
Latin America	14	1
Asia Pacific	15	5
Other	8	2

International gross sales were \$3.26 billion in 2011, up \$339.6 million or 12%, as compared to \$2.92 billion in 2010, with favorable changes in currency exchange rates of 3 percentage points. Gross sales of Mattel Girls & Boys Brands increased 17%, with favorable changes in currency exchange rates of 3 percentage points. Gross sales of Barbie® increased 14%, with favorable changes in currency exchange rates of 2 percentage points. Gross sales of Other Girls Brands increased 31%, with favorable changes in currency exchange rates of 2 percentage points, driven primarily by higher sales of Monster High® and Disney Princess® products, partially offset by lower sales of Polly Pocket® and Little Mommy® products. Gross sales of Wheels products increased 9%, with favorable changes in currency exchange rates of 2 percentage points, driven primarily by higher sales of Hot Wheels® products. Gross sales of Entertainment products increased by 18%, with favorable changes in currency exchange rates of 4 percentage points, driven primarily by higher sales of CARS 2® products, partially offset by lower sales of Toy Story® 3 products. Fisher-Price Brands gross sales were flat with 2010, with favorable changes in currency exchange rates of 2 percentage points. Gross sales of Core Fisher-Price® products increased 3%, with favorable changes in currency exchange rates of 2 percentage points. Gross sales of Fisher-Price® Friends products decreased 10%, with favorable changes in currency exchange rates of 1 percentage point, driven primarily by the discontinuation of the Sesame Street® license. Cost of sales increased by 13% in

Table of Contents

2011, as compared to a 12% increase in net sales, primarily due to higher product costs and higher royalty expenses as a result of increased sales of products tied to licensed properties. Gross margins decreased primarily due to higher product costs, higher royalty expenses, and unfavorable changes in foreign currency exchange rates, partially offset by price increases.

International segment income increased 17% to \$619.3 million in 2011 from \$531.0 million in 2010, driven primarily by higher net sales, partially offset by lower gross margins.

2010 Compared to 2009

Consolidated Results

Net sales for 2010 were \$5.86 billion, an 8% increase, as compared to \$5.43 billion in 2009, with unfavorable changes in currency exchange rates of 2 percentage points. Net income for 2010 was \$684.9 million, or \$1.86 per diluted share, as compared to net income of \$528.7 million, or \$1.45 per diluted share, in 2009. As compared to 2009, net income for 2010 was positively impacted by higher net sales, higher gross profit, and a lower effective tax rate, partially offset by higher advertising and promotion expenses, higher other selling and administrative expenses, and unfavorable changes in foreign exchange rates.

Gross profit as a percentage of net sales increased to 50.5% in 2010 from 50.0% in 2009. The increase in gross profit as a percentage of net sales was primarily due to effective pricing and net cost savings related to the Global Cost Leadership program, partially offset by higher royalty expense as a result of increased sales of products tied to licensed properties.

The following table provides a summary of Mattel's consolidated results for 2010 and 2009 (in millions, except percentage and basis point information):

	For the Year				Year/Year Change	
	2010		2009		Basis Points	
	Amount	% of Net Sales	Amount	% of Net Sales	%	of Net Sales
Net sales	\$5,856.2	100.0%	\$5,430.8	100.0%	8%	
Gross profit	\$2,955.0	50.5%	\$2,714.7	50.0%	9%	50
Advertising and promotion expenses	647.3	11.1	609.8	11.2	6%	(10)
Other selling and administrative expenses	1,405.8	24.0	1,373.7	25.3	2%	(130)
Operating income	901.9	15.4	731.2	13.5	23%	190
Interest expense						
	64.8	1.1	71.8	1.3	10%	(20)
Interest (income)	(8.4)	-0.1	(8.1)	-0.1	4%	-
Other non-operating (income) expense, net	(1.3)		7.5			
Income before income taxes	\$ 846.8	14.5%	\$ 660.0	12.2%	28%	230

Sales

Net sales for 2010 were \$5.86 billion, an 8% increase, as compared to \$5.43 billion in 2009, with unfavorable changes in currency exchange rates of 2 percentage points. Gross sales within the US increased 9% in 2010, and accounted for 54% of consolidated gross sales in 2010 and 2009. Gross sales in international markets increased 6% in 2010, with unfavorable changes in currency exchange rates of 4 percentage points.

Worldwide gross sales of Mattel Girls & Boys Brands increased 11% to \$3.66 billion in 2010, with unfavorable changes in currency exchange rates of 3 percentage points. Domestic gross sales of Mattel Girls & Boys Brands increased 16% and international gross sales increased 8%, with unfavorable changes in currency exchange rates of 4 percentage points. Worldwide gross sales of Barbie® increased 7%, with unfavorable changes in currency exchange rates of 2 percentage points. Domestic gross sales of Barbie® increased 14% and

Table of Contents

international gross sales increased 2%, with unfavorable changes in currency exchange rates of 5 percentage points. Worldwide gross sales of Other Girls Brands increased 16%, with unfavorable changes in currency exchange rates of 2 percentage points, driven primarily by increased sales of Disney Princess[®] products and the launch of Monster High[®]. Worldwide gross sales of Wheels products decreased 2%, with unfavorable changes in currency exchange rates of 1 percentage point, driven primarily by decreased sales of Tyco R/C[®] products and other Wheels products that did not continue into 2010, partially offset by increased sales of Hot Wheels[®] products. Worldwide gross sales of Hot Wheels[®] increased 3%, with unfavorable changes in currency exchange rates of 1 percentage point. Worldwide gross sales of Entertainment products increased 27%, with unfavorable changes in currency exchange rates of 4 percentage points, driven primarily by increased sales of Toy Story[®] 3, WWE[®] Wrestling, and Radica[®] products.

Worldwide gross sales of Fisher-Price Brands increased 2% to \$2.22 billion in 2010, with unfavorable changes in currency exchange rates of 2 percentage points. Domestic gross sales of Fisher-Price Brands increased 3% and international gross sales increased 1%, with unfavorable changes in currency exchange rates of 4 percentage points. Worldwide gross sales of Core Fisher-Price[®] decreased 3%, with unfavorable changes in currency exchange rates of 2 percentage points. Domestic gross sales of Core Fisher-Price[®] decreased 2% and international gross sales decreased 3%, with unfavorable changes in currency exchange rates of 3 percentage points. Worldwide gross sales of Fisher-Price[®] Friends increased 24%, with unfavorable changes in currency exchange rates of 2 percentage points, driven primarily by sales of products supporting the Thomas and Friends[®] property and the launch of Sing-a-ma-jigs[®], partially offset by decreased sales of Sesame Street[®] and certain smaller licensed properties products. Domestic gross sales of Fisher-Price[®] Friends increased 29% and international gross sales increased 17%, with unfavorable changes in currency exchange rates of 6 percentage points.

American Girl Brands gross sales increased 5% to \$486.6 million in 2010, driven primarily by sales of Lanie[®], the 2010 Girl of the Year[®] doll, and Felicity[®] dolls, the benefit of two new American Girl[®] stores in Lone Tree, Colorado and Overland Park, Kansas, and the launch of the American Girl[®] virtual world.

Cost of Sales

Cost of sales as a percentage of net sales was 49.5% in 2010, as compared to 50.0% in 2009. Cost of sales increased by \$185.1 million, or 7%, from \$2.72 billion in 2009 to \$2.90 billion in 2010, as compared to an 8% increase in net sales. Within cost of sales, freight and logistics expenses increased by \$17.8 million, or 6%, from \$295.9 million in 2009 to \$313.7 million in 2010; royalty expenses increased \$57.4 million, or 30%, from \$188.5 million in 2009 to \$245.9 million in 2010; and other product costs increased by \$109.9 million, or 5%, from \$2.23 billion in 2009 to \$2.34 billion in 2010.

Gross Profit

Gross profit as a percentage of net sales increased from 50.0% in 2009 to 50.5% in 2010, driven primarily by pricing and net cost savings related to the Global Cost Leadership program, partially offset by higher royalty expenses as a result of increased sales of products tied to licensed properties.

Advertising and Promotion Expenses

Advertising and promotion expenses decreased to 11.1% of net sales in 2010, as compared to 11.2% of net sales in 2009.

Other Selling and Administrative Expenses

Other selling and administrative expenses were \$1.41 billion in 2010, or 24.0% of net sales, as compared to \$1.37 billion in 2009, or 25.3% of net sales. The dollar increase in other selling and administrative expenses primarily reflects higher employee-related expenses, information technology and other infrastructure investments, and higher net legal and recall-related litigation expenses of approximately \$5 million, partially

Table of Contents

offset by savings related to the Global Cost Leadership program of approximately \$20 million, lower bad debt expense, and lower severance charges. The increase in employee-related costs includes approximately \$17 million in incremental share-based compensation expense, approximately \$10 million in incremental annual incentive expense, and approximately \$16 million related to annual merit increases that began during the second quarter of 2010.

Non-Operating Items

Interest expense was \$64.8 million in 2010, as compared to \$71.8 million in 2009, driven primarily by lower average borrowings, lower average interest rates, and the absence of domestic receivables factoring in 2010, partially offset by interest expense associated with the \$500 million of senior notes issued in 2010. Interest income increased from \$8.1 million in 2009 to \$8.4 million in 2010, driven primarily by higher average invested cash balances, partially offset by lower average interest rates. Other non-operating income was \$1.3 million in 2010, as compared to other non-operating expense of \$7.4 million in 2009, driven primarily by other investment gains and lower foreign currency exchange losses.

Provision for Income Taxes

Mattel's effective tax rate on income before income taxes in 2010 was 19.1%, as compared to 19.9% in 2009. The 2010 income tax provision includes net tax benefits of \$16.8 million, primarily related to the release of a valuation allowance related to the anticipated utilization of excess foreign tax credit carryforwards, 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, partially offset by the incremental tax cost to repatriate earnings from certain foreign subsidiaries for which income taxes had not been previously provided. The 2009 income tax provision includes net tax benefits of \$28.8 million related to reassessments of prior years' tax liabilities based on the status of audits in various jurisdictions around the world, settlements, and enacted law changes.

Domestic Segment

Mattel Girls & Boys Brands US gross sales were \$1.63 billion in 2010, up \$224.2 million or 16%, as compared to \$1.40 billion in 2009. Within this segment, gross sales of Barbie[®] increased 14% and gross sales of Other Girls Brands increased 26%, driven primarily by increased sales of Disney Princess[®] products and the launch of Monster High[®]. Gross sales of Wheels products decreased 4%, driven primarily by decreased sales of Tyco R/C[®], other Wheels products that did not continue into 2010, and Hot Wheels[®] products. Gross sales of Hot Wheels[®] products decreased 1%. Gross sales of Entertainment products increased 33%, driven primarily by increased sales of Toy Story[®] 3, WWE[®] Wrestling, and Radica[®] products. Cost of sales increased by 12% in 2010, as compared to a 16% increase in net sales, primarily due to higher royalty expenses as a result of increased sales of products tied to licensed properties. Gross margins increased primarily due to price increases, partially offset by higher royalty expenses.

Mattel Girls & Boys Brands US segment income increased 40% to \$409.4 million in 2010 from \$293.4 million in 2009, driven primarily by higher net sales and higher gross margins, partially offset by higher advertising and promotion expenses.

Fisher-Price Brands US gross sales were \$1.35 billion in 2010, up \$42.0 million or 3%, as compared to \$1.31 billion in 2009. Within this segment, gross sales of Core Fisher-Price[®] products decreased 2% and gross sales of Fisher-Price[®] Friends products increased 29%, driven primarily by sales of products supporting the Thomas and Friends[®] property and the launch of Sing-a-ma-jigs[®], partially offset by decreased sales of Sesame Street[®] and certain smaller licensed properties products. Cost of sales increased by 8% in 2010, as compared to a 3% increase in net sales, primarily due to higher product costs and higher royalty expenses as a result of increased sales of products tied to licensed properties. Gross margins decreased primarily due to higher product costs and higher royalty expenses, partially offset by price increases.

Table of Contents

Fisher-Price Brands US segment income decreased 4% to \$222.0 million in 2010 from \$231.9 million in 2009, driven primarily by lower gross margins, partially offset by lower other selling and administrative expenses.

American Girl Brands gross sales were \$486.6 million in 2010, up \$23.7 million or 5%, as compared to \$462.9 million in 2009, driven primarily by sales of Lanie[®], the 2010 Girl of the Year[®] doll, and Felicity[®] dolls, the benefit of two new American Girl[®] stores in Lone Tree, Colorado and Overland Park, Kansas, and the launch of the American Girl[®] virtual world. Cost of sales increased by 5% in 2010, as compared to a 6% increase in net sales, primarily due to higher freight and logistics expenses. Gross margins increased slightly by 30 basis points.

American Girl Brands segment operating income increased 9% to \$112.9 million in 2010 from \$103.4 million in 2009, driven primarily by higher net sales and higher gross margins, partially offset by higher advertising and promotion expenses and higher other selling and administrative expenses.

International Segment

The following table provides a summary of percentage changes in gross sales within the International segment in 2010 versus 2009:

Non-US Regions:	% Change in	Impact of Change in
	Gross Sales	Currency Rates (in % pts)
Total International	6	-4
Europe	5	-4
Latin America	1	-8
Asia Pacific	23	7
Other	15	6

International gross sales were \$2.92 billion in 2010, up \$162.5 million or 6%, as compared to \$2.76 billion in 2009, with unfavorable changes in currency exchange rates of 4 percentage points. Gross sales of Mattel Girls & Boys Brands increased 8%, with unfavorable change in currency exchange rates of 4 percentage points. Gross sales of Barbie[®] increased 2%, with unfavorable changes in currency exchange rates of 5 percentage points. Gross sales of Other Girls Brands increased 8%, with unfavorable changes in currency exchange rates of 4 percentage points, driven primarily by increased sales of Disney Princess[®] products and the launch of Monster High[®]. Gross sales of Wheels remained flat in 2010, as compared to 2009, with unfavorable changes in currency exchange rates of 2 percentage points, driven primarily by increased sales of Hot Wheels[®] products, partially offset by decreased sales of Tyco R/C[®] products and other Wheels products that did not continue into 2010. Gross Sales of Hot Wheels[®] products increased 6%, with unfavorable changes in currency exchange rates of 2 percentage points. Gross sales of Entertainment products increased by 22%, with unfavorable changes in currency exchange rates of 7 percentage points, driven primarily by increased sales of Toy Story[®] 3 and WWE[®] Wrestling products. Fisher-Price Brands gross sales increased 1%, with unfavorable changes in currency exchange rates of 4 percentage points. Gross sales of Core Fisher-Price[®] products decreased 3%, with unfavorable change in currency exchange rates of 3 percentage points and gross sales of Fisher-Price[®] Friends products increased 17%, with unfavorable changes in currency exchange rates of 6 percentage points, driven primarily by sales of products supporting the Thomas and Friends[®] property and the launch of Sing-a-ma-jigs[®], partially offset by decreased sales of Sesame Street[®] and certain smaller licensed properties products. Cost of sales increased by 2% in 2010, as compared to a 6% increase in net sales, primarily due to higher royalty expenses as a result of increased sales of products tied to licensed properties. Gross margins increased primarily due to price increases, partially offset by higher royalty expenses.

International segment income increased 26% to \$531.0 million in 2010 from \$422.5 million in 2009, driven primarily by higher net sales and higher gross margins, partially offset by higher advertising and promotion expenses.

Table of Contents

Cost Savings Programs

During 2008, Mattel initiated the first phase of its cost savings program, Global Cost Leadership, which was designed to improve operating efficiencies and leverage Mattel's global scale to improve profitability and operating cash flows. The major initiatives within the Global Cost Leadership program included:

- A global reduction in Mattel's professional workforce, which resulted in severance and other termination-related charges of approximately \$13 million and approximately \$32 million during 2010 and 2009, respectively.
- A coordinated efficiency strategic plan that included structural changes designed to lower costs and improve efficiencies; for example, offshoring and outsourcing certain back office functions, and additional clustering of management in international markets.
- Procurement initiatives designed to fully leverage Mattel's global scale in areas such as creative agency partnerships, legal services, and distribution, including ocean carriers and over-the-road freight vendors.

The Global Cost Leadership program was intended to generate approximately \$90 million to \$100 million of net cost savings in 2009, and approximately \$180 million to \$200 million of cumulative net cost savings by the end of 2010. Mattel exceeded its 2009 goal by realizing approximately \$164 million of gross cost savings before severance charges of approximately \$32 million (or approximately \$132 million in net cost savings). Of the gross cost savings realized in 2009, approximately \$88 million was reflected within other selling and administrative expenses, approximately \$62 million within gross profit, and approximately \$14 million within advertising and promotion expenses.

In addition, Mattel exceeded its 2010 goal by realizing approximately \$61 million of year-over-year incremental gross cost savings before severance charges of approximately \$13 million (or approximately \$48 million in net cost savings), for cumulative gross cost savings before severance charges of approximately \$225 million. Of the gross cost savings realized in 2010, approximately \$27 million was reflected within gross profit, approximately \$20 million within other selling and administrative expenses, and approximately \$14 million within advertising and promotion expenses.

During 2011, Mattel initiated the second phase of its cost savings program, Operational Excellence 2.0, which currently targets additional cumulative cost savings of approximately \$175 million by the end of 2012. The cost savings are expected to include a reduction of approximately \$75 million in legal costs, which will lower other selling and administrative expenses, and approximately \$100 million of structural cost savings executed through a handful of important initiatives, which will be reflected in gross profit, advertising and promotion expenses, and other selling and administrative expenses. The major initiatives within the Operational Excellence 2.0 program include:

- The creation of global brand teams and reorganization to a North America division,
- Additional procurement initiatives designed to fully leverage Mattel's global scale,
- SKU efficiency, and
- Packaging optimization.

During 2011, Mattel realized Operational Excellence 2.0 gross cost savings before severance charges and investments of approximately \$94 million (or approximately \$71 million in net cost savings). The gross cost savings included approximately \$53 million of structural cost savings and approximately \$41 million of legal cost savings. Of the gross cost savings realized in 2011, approximately \$67 million was reflected within other selling and administrative expenses, approximately \$15 million within gross profit, and approximately \$12 million within advertising and promotion expenses. Mattel continues to be on track to realize \$175 million in sustainable cumulative savings by the end of 2012.

Table of Contents

Income Taxes

Mattel's effective tax rate on income before income taxes in 2011 was 20.8%, as compared to 19.1% in 2010. The 2011 income tax provision includes net tax benefits of \$6.8 million, primarily related to reassessments of prior years' tax liabilities based on the status of current audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes.

Mattel's effective tax rate on income before income taxes in 2010 was 19.1%, as compared to 19.9% in 2009. The 2010 income tax provision includes net tax benefits of \$16.8 million, primarily related to the release of a valuation allowance related to the anticipated utilization of excess foreign tax credit carryforwards, 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, partially offset by the incremental tax cost to repatriate earnings from certain foreign subsidiaries for which income taxes had not been previously provided.

Mattel expects its full year 2012 and 2013 effective tax rate to be approximately 22% to 23%.

Liquidity and Capital Resources

Mattel's primary sources of liquidity are its cash and equivalents balances, access to short-term borrowing facilities, including its \$1.40 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 ("EBITDA") 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.

Current Market Conditions

Mattel is exposed to financial market risk resulting from changes in interest and foreign currency 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 December 31, 2011, Mattel had available incremental borrowing resources totaling \$1.40 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 of 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

Table of Contents

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 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 cash flows from operating activities. There is no assurance that Mattel will continue to generate strong cash flows from operating activities or achieve its targeted goals for investing activities.

Operating Activities

Cash flows from operating activities were \$664.7 million during 2011, as compared to \$528.0 million during 2010 and \$945.0 million during 2009. The increase in cash flows from operating activities in 2011 from 2010 was primarily due to the decision not to factor \$300.0 million of domestic receivables in 2010 and higher net income, partially offset by higher working capital usage. The decrease in cash flows from operating activities in 2010 from 2009 was primarily due to the decision not to factor \$300.0 million of domestic receivables in 2010, as well as growth in accounts receivable due to increased net sales, and the rebuild of inventory to support point of sale momentum and customer service levels, partially offset by higher net income.

Investing Activities

Cash flows used for investing activities were \$174.5 million during 2011, as compared to \$146.7 million during 2010 and \$33.5 million during 2009. The increase in cash flows used for investing activities in 2011 from 2010 was primarily due to higher purchases of tools, dies, molds and other property, plant, and equipment, partially offset by higher net proceeds from settled foreign currency forward exchange contracts. The increase in cash flows used for investing activities in 2010 from 2009 was primarily due to lower proceeds received from the redemption of a money market investment fund, lower net proceeds from settled foreign currency forward exchange contracts, and higher purchases of tools, dies, and molds and other property, plant, and equipment.

Table of Contents

Financing Activities

Cash flows used for financing activities were \$397.3 million during 2011, as compared to \$224.8 million during 2010 and \$376.1 million during 2009. The increase in cash flows used for financing activities in 2011 from 2010 was primarily due to repayments of long-term debt consistent with scheduled maturities, higher share repurchases, and higher dividend payments, partially offset by higher net proceeds from the issuance of senior notes and higher proceeds from the exercise of stock options. The decrease in cash flows used for financing activities in 2010 from 2009 primarily reflects net proceeds from the \$500.0 million issuance of senior notes in September 2010 and higher proceeds from the exercise of stock options, partially offset by higher share repurchases.

During both 2011 and 2010, the Board of Directors authorized Mattel to increase its share repurchase program by \$500.0 million. During 2011, Mattel repurchased 20.4 million shares of its common stock at a cost of \$536.3 million, of which \$12.3 million was unsettled at December 31, 2011. During 2010, Mattel repurchased 18.6 million shares of its common stock at a cost of \$446.7 million. During 2009, Mattel did not repurchase any shares of its common stock. At December 31, 2011, share repurchase authorizations of \$427.3 million had not been executed. Repurchases will take place from time to time, depending on market conditions. Mattel's share repurchase program has no expiration date.

In 2011, 2010, and 2009, Mattel paid total dividends per share of \$0.92, \$0.83, and \$0.75, respectively, to holders of its common stock, respectively. During 2011, the Board of Directors declared the dividends on a quarterly basis, and Mattel paid the dividends during the quarter in which the dividends were declared. During 2010 and 2009, the Board of Directors declared the dividends in November of the respective years, and Mattel paid the dividends in December of the respective years. Dividend payments were \$316.5 million, \$291.3 million, and \$271.4 million in 2011, 2010, and 2009, respectively.

Seasonal Financing

See Item 8 "Financial Statements and Supplementary Data—Note 7 to the Consolidated Financial Statements—Seasonal Financing and Debt."

Financial Position

Mattel's cash and equivalents were \$1.37 billion at December 31, 2011, an increase of \$88.0 million from 2010. The increase was primarily driven by cash flows from operations, net proceeds from the \$600.0 million issuance of senior notes in November 2011, and proceeds from the exercise of stock options. The increase was partially offset by \$524.0 million of share repurchases, \$316.5 million of dividend payments, \$250.0 million of scheduled long-term debt repayments, and \$190.9 million of purchases of tools, dies, and molds, and other property, plant, and equipment.

Accounts receivable increased \$100.6 million from December 31, 2010 to \$1.25 billion at December 31, 2011, primarily due to higher net sales and a shift in sales mix to countries with longer sales terms.

Inventories increased \$23.2 million from December 31, 2010 to \$487.0 million at December 31, 2011, driven primarily by higher raw materials and higher product costs.

Accounts payable and accrued liabilities decreased \$94.7 million from December 31, 2010 to \$953.8 million at December 31, 2011, driven primarily by the timing and amount of payments to vendors and various accrued liabilities, including incentive compensation, royalties, and taxes other than income taxes.

As of December 31, 2011, Mattel had foreign short-term bank loans outstanding of \$8.0 million. As of December 31, 2010, Mattel had no foreign short-term bank loans outstanding. The current portion of long-term debt decreased \$200.0 million from December 31, 2010 to \$50.0 million at December 31, 2011, due to scheduled repayments of \$200.0 million of 2006 Senior Notes and \$50.0 million of Medium-term notes during 2011, partially offset by the reclassification of \$50.0 million of Medium-term notes to current.

Table of Contents

A summary of Mattel's capitalization is as follows:

	December 31,			
	2011		2010	
	(In millions, except percentage information)			
Medium-term notes	\$ 50.0	1%	\$ 100.0	2%
2008 Senior Notes	350.0	7	350.0	9
2010 Senior Notes	500.0	11	500.0	12
2011 Senior Notes	600.0	13	—	—
Total noncurrent long-term debt	1,500.0	32	950.0	23
Other noncurrent liabilities	522.1	12	488.9	12
Stockholders' equity	2,610.6	56	2,628.6	65
	<u>\$4,632.7</u>	<u>100%</u>	<u>\$4,067.5</u>	<u>100%</u>

Total long-term debt increased \$550.0 million from December 31, 2010 to \$1.50 billion at December 31, 2011, due to the \$600.0 million issuance of senior notes in November 2011, partially offset by the reclassification of \$50.0 million of Medium-term notes to current. Mattel expects to satisfy its future long-term capital needs through the generation of corporate earnings and issuance of long-term debt instruments, as needed.

Stockholders' equity decreased \$18.0 million from December 31, 2010 to \$2.61 billion at December 31, 2011, primarily as a result of share repurchases, dividend payments, and the impact of foreign currency translation adjustments, partially offset by net income and the issuance of treasury stock for the exercise of stock options.

Mattel's debt-to-capital ratio, including short-term borrowings and the current portion of long-term debt, increased to 37.4% at December 31, 2011 from 31.3% at December 31, 2010, primarily due to the \$600.0 million issuance of senior notes in November 2011, partially offset by repayments of long-term debt. Mattel's objective is to maintain a year-end debt-to-capital ratio of about 35%.

Off-Balance Sheet Arrangements

Mattel has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Commitments

In the normal course of business, Mattel enters into debt agreements, and contractual arrangements to obtain and protect Mattel's right to create and market certain products and for future purchases of goods and services to ensure availability and timely delivery. These arrangements include commitments for future inventory and service purchases and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guarantees or minimum expenditures during the term of the contracts. Additionally, Mattel routinely enters into noncancelable lease agreements for premises and equipment used, which contain minimum rental payments.

Table of Contents

	<u>Total</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> (In millions)	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>
Long-term debt	\$1,550.0	\$ 50.0	\$400.0	\$ —	\$ —	\$300.0	\$ 800.0
Interest on long-term debt	1,109.8	75.5	63.4	50.2	50.2	49.0	821.5
Capital leases*	2.4	0.3	0.3	0.3	0.3	0.3	0.9
Operating leases	472.8	86.0	70.9	57.3	48.9	45.9	163.8
Minimum guarantees under licensing and similar agreements	314.0	55.2	100.0	83.9	60.9	13.7	0.3
Defined benefit and postretirement benefit plans	379.3	77.0	29.3	29.9	30.8	32.0	180.3
Purchases of inventory, other assets, and services	405.7	356.1	16.8	15.5	14.0	3.3	—
Total	<u>\$4,234.0</u>	<u>\$700.1</u>	<u>\$680.7</u>	<u>\$237.1</u>	<u>\$205.1</u>	<u>\$444.2</u>	<u>\$1,966.8</u>

* Represents total obligation, including imputed interest of \$0.6 million.

Liabilities for uncertain tax positions for which a cash tax payment is not expected to be made in the next twelve months are classified as other noncurrent liabilities. Due to the uncertainty about the periods in which examinations will be completed and limited information related to current audits, Mattel is not able to make reasonably reliable estimates of the periods in which cash settlements will occur with taxing authorities for the noncurrent liabilities.

Subsequent Events

On January 31, 2012, Mattel announced that the Board of Directors declared a first quarter dividend of \$0.31 per common share. On February 1, 2012, Mattel completed its acquisition of HIT Entertainment for \$680.0 million. See Item 8 “Financial Statements and Supplementary Data—Note 17 to the Consolidated Financial Statements—Subsequent Events.”

Litigation

The content of Item 8 “Financial Statements and Supplementary Data—Note 13 to the Consolidated Financial Statements—Commitments and Contingencies—Litigation” is hereby incorporated by reference in this Item 7.

Effects of Inflation

Inflation rates in the US and in major foreign countries where Mattel does business have not had a significant impact on its results of operations or financial position during 2011, 2010, or 2009. Mattel receives some protection from the impact of inflation from high turnover of inventories and its ability, under certain circumstances and at certain times, to pass on higher prices to its customers.

Employee Savings Plan

Mattel sponsors a 401(k) savings plan, the Mattel, Inc. Personal Investment Plan (the “Plan”), for its domestic employees. Contributions to the Plan include voluntary contributions by eligible employees and employer automatic and matching contributions by Mattel. The Plan allows employees to allocate both their voluntary contributions and their employer automatic and matching contributions to a variety of investment funds, including a fund that is fully invested in Mattel common stock (the “Mattel Stock Fund”). Employees are not required to allocate any of their Plan account balance to the Mattel Stock Fund, which allows employees to limit or eliminate their exposure to market changes in Mattel’s stock price. Furthermore, the Plan limits the percentage of the employee’s total account balance that may be allocated to the Mattel Stock Fund to 25%.

Table of Contents

Employees may generally reallocate their account balances on a daily basis. However, pursuant to Mattel's insider trading policy, employees classified as insiders and restricted personnel under Mattel's insider trading policy are limited to certain periods in which they may make allocations into or out of the Mattel Stock Fund.

Application of Critical Accounting Policies and Estimates

Mattel makes certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. The accounting policies and estimates described below are those Mattel considers most critical in preparing its consolidated financial statements. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of its Board of Directors, and the Audit Committee has reviewed the disclosures included below. These accounting policies and estimates include significant judgments made by management using information available at the time the estimates are made. As described below, however, these estimates could change materially if different information or assumptions were used instead.

Note 1 to the consolidated financial statements includes a summary of Mattel's significant accounting policies, estimates, and methods used in the preparation of Mattel's consolidated financial statements. In most instances, Mattel must use an accounting policy or method because it is the only policy or method permitted under accounting principles generally accepted in the United States of America. See Item 8 "Financial Statements and Supplementary Data—Note 1 to the Consolidated Financial Statements—Summary of Significant Accounting Policies."

Accounts Receivable—Allowance for Doubtful Accounts

The allowance for doubtful accounts represents adjustments to customer trade accounts receivable for amounts deemed partially or entirely uncollectible. Management believes the accounting estimate related to the allowance for doubtful accounts is a "critical accounting estimate" because significant changes in the assumptions used to develop the estimate could materially affect key financial measures, including other selling and administrative expenses, net income, and accounts receivable. In addition, the allowance requires a high degree of judgment since it involves estimation of the impact of both current and future economic factors in relation to its customers' ability to pay amounts owed to Mattel.

Mattel's products are sold throughout the world. Products within the Domestic segment are sold directly to retailers, including discount and free-standing toy stores, chain stores, department stores, other retail outlets and, to a limited extent, wholesalers, and directly to consumers. Products within the International segment are sold directly to retailers and wholesalers in most European, Latin American, and Asian countries, and in Australia, Canada, and New Zealand, and through agents and distributors in those countries where Mattel has no direct presence.

In recent years, the mass-market retail channel has experienced significant shifts in market share among competitors, causing some large retailers to experience liquidity problems. Mattel's sales to customers are typically made on credit without collateral and are highly concentrated in the third and fourth quarters due to the cyclical nature of toy sales, which results in a substantial portion of trade receivables being collected during the latter half of the year and the first quarter of the following year. There is a risk that customers will not pay, or that payment may be delayed, because of bankruptcy or other factors beyond the control of Mattel. This could increase Mattel's exposure to losses from bad debts.

A small number of customers account for a large share of Mattel's net sales and accounts receivable. In 2011, Mattel's three largest customers, Wal-Mart, Toys "R" Us, and Target, in the aggregate, accounted for approximately 38% of net sales, and its ten largest customers, in the aggregate, accounted for approximately 48% of net sales. As of December 31, 2011, Mattel's three largest customers accounted for approximately 46% of net accounts receivable, and its ten largest customers accounted for approximately 57% of net accounts receivable. The concentration of Mattel's business with a relatively small number of customers may expose Mattel to a material adverse effect if one or more of Mattel's large customers were to experience financial difficulty.

Table of Contents

Mattel has procedures to mitigate its risk of exposure to losses from bad debts. Revenue is recognized upon shipment or upon receipt of products by the customer, depending on the terms, provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an agreement exists documenting the specific terms of the transaction; the sales price is fixed or determinable; and collectibility is reasonably assured. Value added taxes are recorded on a net basis, and are excluded from revenue. Credit limits and payment terms are established based on the underlying criteria that collectibility must be reasonably assured at the levels set for each customer. Extensive evaluations are performed on an ongoing basis throughout the fiscal year of each customer's financial performance, cash generation, financing availability, and liquidity status. Customers are reviewed at least annually, with more frequent reviews being performed, if necessary, based on the customer's financial condition and the level of credit being extended. For customers who are experiencing financial difficulties, management performs additional financial analyses prior to shipping to those customers on credit. Customer terms and credit limits are adjusted, if necessary, to reflect the results of the review. 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.

The following table summarizes Mattel's allowance for doubtful accounts at December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In millions, except percentage information)		
Allowance for doubtful accounts	\$26.3	\$21.8	\$24.5
As a percentage of total accounts receivable	2.1%	1.9%	3.2%

Mattel's allowance for doubtful accounts is based on management's assessment of the business environment, customers' financial condition, historical collection experience, accounts receivable aging, and customer disputes. Changes in the allowance for doubtful accounts reflect management's assessment of the factors noted above, including past due accounts, disputed balances with customers, and the financial condition of customers. The allowance for doubtful accounts is also affected by the time at which uncollectible accounts receivable balances are actually written off.

Mattel believes that its allowance for doubtful accounts at December 31, 2011 is adequate and proper. However, as described above, Mattel's business is greatly dependent on a small number of customers. Should one or more of Mattel's major customers experience liquidity problems, then the allowance for doubtful accounts may not be sufficient to cover such losses. Any incremental bad debt charges would negatively affect the results of operations of one or more of Mattel's business segments.

Inventories—Allowance for Obsolescence

Inventories, net of an allowance for excess quantities and obsolescence, are stated at the lower of cost or market. Inventory obsolescence reserves are recorded for damaged, obsolete, excess and slow-moving inventory. Inventory allowances are charged to cost of sales and establish a lower cost basis for the inventory. Management believes that the accounting estimate related to the allowance for obsolescence is a "critical accounting estimate" because changes in the assumptions used to develop the estimate could materially affect key financial measures, including gross profit, net income, and inventories. As more fully described below, valuation of Mattel's inventory could be impacted by changes in public and consumer preferences, demand for product, or changes in the buying patterns of both retailers and consumers and inventory management of customers.

In the toy industry, orders are subject to cancellation or change at any time prior to shipment since actual shipments of products ordered and order cancellation rates are affected by consumer acceptance of product lines, strength of competing products, marketing strategies of retailers, changes in buying patterns of both retailers and consumers, and overall economic conditions. Unexpected changes in these factors could result in excess inventory in a particular product line, which would require management to record a valuation allowance on such inventory.

Table of Contents

Mattel bases its production schedules for toy products on customer orders and forecasts, taking into account historical trends, results of market research, and current market information. Mattel ships products in accordance with delivery schedules specified by its customers, who usually request delivery within three months. In anticipation of retail sales in the traditional holiday season, Mattel significantly increases its production in advance of the peak selling period, resulting in a corresponding build-up of inventory levels in the first three quarters of its fiscal year. These seasonal purchasing patterns and requisite production lead times create risk to Mattel's business associated with the underproduction of popular toys and the overproduction of toys that do not match consumer demand. Retailers are also attempting to manage their inventories more tightly, requiring Mattel to ship products closer to the time the retailers expect to sell the products to consumers. These factors increase inventory valuation risk since Mattel's inventory levels may be adversely impacted by the need to pre-build products before orders are placed.

When current conditions in the domestic and global economies become uncertain, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts of the economy, including the economies in which Mattel participates. Because all components of Mattel's budgeting and forecasting are dependent upon estimates of growth or contraction in the markets it serves and demand for its products, economic uncertainty makes estimates of future demand for product more difficult. Such economic changes may affect the sales of Mattel's products and its corresponding inventory levels, which could potentially impact the valuation of its inventory.

At the end of each quarter, management within each business segment, Mattel Girls & Boys Brands US, Fisher-Price Brands US, American Girl Brands, and International, performs a detailed review of its inventory on an item-by-item basis and identifies products that are believed to be impaired. Management assesses the need for, and the amount of, an obsolescence reserve based on the following factors:

- Customer and/or consumer demand for the item;
- Overall inventory positions of Mattel's customers;
- Strength of competing products in the market;
- Quantity on hand of the item;
- Standard retail price of the item;
- Mattel's cost for the item; and
- Length of time the item has been in inventory.

The time frame between when an estimate is made and the time of disposal depends on the above factors and may vary significantly. Generally, slow-moving inventory is liquidated during the next annual selling cycle.

The following table summarizes Mattel's obsolescence reserve at December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In millions, except percentage information)		
Allowance for obsolescence	\$39.2	\$46.9	\$40.8
As a percentage of total inventory	7.5%	9.2%	10.3%

Management believes that its allowance for obsolescence at December 31, 2011 is adequate and proper. However, the impact resulting from the aforementioned factors could cause actual results to vary. Any incremental obsolescence charges would negatively affect the results of operations of one or more of Mattel's business segments.

Recoverability of Goodwill and Nonamortizable Intangible Assets

Mattel tests goodwill and nonamortizable intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment may have occurred. Management believes that the accounting

Table of Contents

estimates related to the fair value estimates of its goodwill and nonamortizable intangible assets are “critical accounting estimates” because significant changes in the assumptions used to develop the estimates could materially affect key financial measures, including net income, goodwill, and other intangible assets.

Assessing goodwill for impairment involves a high degree of judgment since the first step of the required impairment test consists of a comparison of the fair value of a reporting unit with its book value. Based on the assumptions underlying the valuation, impairment is determined by estimating the fair value of a reporting unit and comparing that value to the reporting unit’s book value. If the fair value is more than the book value of the reporting unit, an impairment loss is not recognized. If an impairment exists, the fair value of the reporting unit is allocated to all of its assets and liabilities excluding goodwill, with the excess amount representing the fair value of goodwill. An impairment loss is measured as the amount by which the book value of the reporting unit’s goodwill exceeds the estimated fair value of that goodwill.

For purposes of evaluating whether goodwill is impaired, goodwill is allocated to various reporting units, which are either at the operating segment level or one reporting level below the operating segment. Mattel’s reporting units are: Mattel Girls Brands US, Mattel Boys Brands US, Fisher-Price Brands US, American Girl Brands, and International. Goodwill is allocated to Mattel’s reporting units based on an allocation of brand-specific goodwill to the reporting units selling those brands. Mattel utilizes the fair value based upon the discounted cash flows that the business can be expected to generate in the future (the “Income Approach”) when evaluating goodwill for impairment. The Income Approach valuation method requires Mattel to make projections of revenue, operating costs, and working capital investment for the reporting unit over a multi-year period. Additionally, management must make an estimate of a weighted average cost of capital that a market participant would use as a discount rate. Changes in these projections or estimates could result in a reporting unit either passing or failing the first step of the impairment model, which could significantly change the amount of any impairment ultimately recorded. During the third quarter, Mattel performed the annual impairment test for goodwill as required and determined that its goodwill was not impaired since, for each of the reporting units, the fair value of the reporting unit substantially exceeded its carrying value. Mattel also considered events and circumstances subsequent to the annual impairment tests in concluding there was no impairment at December 31, 2011.

Testing nonamortizable intangible assets for impairment also involves a high degree of judgment due to the assumptions that underlie the valuation. Mattel evaluates nonamortizable intangible assets, including trademarks and trade names, for impairment by comparing the estimated fair values with the carrying values. The fair value is measured using a multi-period royalty savings method, which reflects the savings realized by owning the trademarks and trade names, and thus not having to pay a royalty fee to a third party. During the third quarter, Mattel performed the annual impairment test for nonamortizable intangible assets as required and determined that its nonamortizable intangible assets were not impaired since the fair value of the nonamortizable intangible assets exceeded its carrying value. Mattel also considered events and circumstances subsequent to these impairment tests in concluding there was no impairment at December 31, 2011. However, during 2011, for one of Mattel’s nonamortizable intangible assets with a carrying value of approximately \$113 million, the fair value did not exceed the carrying value by a significant margin. Future changes in estimates resulting in lower than currently anticipated future cash flows and fair value could negatively affect the valuation, which may result in Mattel recognizing an impairment charge in the future.

Sales Adjustments

Mattel routinely enters into arrangements with its customers to provide sales incentives, support customer promotions, and provide allowances for returns and defective merchandise. Such programs are based primarily on customer purchases, customer performance of specified promotional activities, and other specified factors such as sales to consumers. Accruals for these programs are recorded as sales adjustments that reduce gross revenue in the period the related revenue is recognized. Sales adjustments for such programs totaled \$575.1 million, \$530.4 million, and \$503.5 million during 2011, 2010, and 2009, respectively.

Table of Contents

The above-described programs primarily involve fixed amounts or percentages of sales to customers. Accruals for such programs are calculated based on an assessment of customers' purchases and performance under the programs and any other specified factors. While the majority of sales adjustment amounts are readily determinable at period end and do not require estimates, certain of the sales adjustments require management to make estimates. In making these estimates, management considers all available information, including the overall business environment, historical trends, and information from customers. Management believes that the accruals recorded for customer programs at December 31, 2011 are adequate and proper.

Benefit Plan Assumptions

Mattel and certain of its subsidiaries have retirement and other postretirement benefit plans covering substantially all employees of these companies. See Item 8 "Financial Statements and Supplementary Data—Note 6 to the Consolidated Financial Statements—Employee Benefit Plans."

Actuarial valuations are used in determining amounts recognized in the financial statements for certain retirement and other postretirement benefit plans. These valuations incorporate the following significant assumptions:

- Weighted average discount rate to be used to measure future plan obligations and interest cost component of plan income or expense;
- Rate of future compensation increases (for defined benefit pension plans);
- Expected long-term rate of return on plan assets (for funded plans); and
- Health care cost trend rates (for other postretirement benefit plans).

Management believes that these assumptions are "critical accounting estimates" because significant changes in these assumptions could impact Mattel's results of operations and financial position. Management believes that the assumptions utilized to record its obligations under its plans are reasonable based on the plans' experience and advice received from its outside actuaries. Mattel reviews its benefit plan assumptions annually and modifies its assumptions based on current rates and trends as appropriate. The effects of such changes in assumptions are amortized as part of plan income or expense in future periods.

At the end of each fiscal year, Mattel determines the weighted average discount rate used to calculate the projected benefit obligation. The discount rate is an estimate of the current interest rate at which the benefit plan liabilities could be effectively settled at the end of the year. The discount rate also impacts the interest cost component of plan income or expense. At December 31, 2011, Mattel determined the discount rate for its domestic benefit plans used in determining the projected and accumulated benefit obligations to be 4.5%, as compared to 5.2% and 5.6% for December 31, 2010 and 2009, respectively. In estimating this rate, Mattel reviews rates of return on high-quality, corporate bond indices, which approximate the timing and amount of benefit payments. Assuming all other benefit plan assumptions remain constant, the decrease in the discount rate from 5.2% to 4.5% would result in an increase in benefit plan expense during 2012 of approximately \$3 million.

The rate of future compensation increases used by Mattel for the benefit obligation and the net periodic pension cost of its domestic defined benefit pension plans averaged 3.8% for 2011, 2010, and 2009, based on plan demographics. These assumptions are reviewed annually based on historical salary increases for participants in the defined benefit pension plans. This assumption impacts the service and interest cost components of plan income or expense.

The long-term rate of return on plan assets is based on management's expectation of earnings on the assets that secure Mattel's funded defined benefit pension plans, taking into account the mix of invested assets, the arithmetic average of past returns, economic and stock market conditions and future expectations, and the long-term nature of the projected benefit obligation to which these investments relate. The long-term rate of return is used to calculate the expected return on plan assets that is used in calculating pension income or expense. The difference between this expected return and the actual return on plan assets is deferred, net of tax, and is included

Table of Contents

in accumulated other comprehensive loss. The net deferral of past asset gains or losses affects the calculated value of plan assets and, ultimately, future pension income or expense. Mattel's long-term rate of return for its domestic defined benefit pension plans was 8.0% in 2011, 2010, and 2009. Assuming all other benefit plan assumptions remain constant, a one percentage point decrease in the expected return on plan assets would result in an increase in benefit plan expense during 2012 of approximately \$3 million.

The health care cost trend rates used by Mattel for its other postretirement benefit plans reflect management's best estimate of expected claim costs over the next ten years. These trend rates impact the service and interest cost components of plan expense. Rates ranging from 8% in 2011 to 5% in 2017, with rates assumed to stabilize in 2017 and thereafter, were used in determining plan expense for 2011. These rates are reviewed annually and are estimated based on historical costs for participants in the other postretirement benefit plans as well as estimates based on current economic conditions. As of December 31, 2011, Mattel adjusted the health care cost trend rates for its other postretirement benefit plan obligation to 7.5% reducing to 5% by 2017, with rates assumed to stabilize in 2017 and thereafter. Assuming all other postretirement benefit plan assumptions remain constant, a one percentage point increase in the assumed health care cost trend rates would increase benefit plan expense during 2012 by \$0.2 million.

A one percentage point increase/(decrease) in the assumed health care cost trend rate for each future year would impact the postretirement benefit obligation as of December 31, 2011 by \$2.7 million and \$(2.4) million, respectively, while a one percentage point increase/(decrease) would impact the service and interest cost recognized for 2011 by \$0.1 million and \$(0.1) million, respectively.

Share-Based Payments

Mattel recognizes the cost of employee share-based payment awards on a straight-line attribution basis over the requisite employee service period, net of estimated forfeitures. In determining when additional tax benefits associated with share-based payment exercises are recognized, Mattel follows the ordering of deductions under the tax law, which allows deductions for share-based payment exercises to be utilized before previously existing net operating loss carryforwards.

Determining the fair value of share-based awards at the measurement date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility, and the expected dividends. Mattel estimates the fair value of options granted using the Black-Scholes valuation model. The expected life of the options used in this calculation is the period of time the options are expected to be outstanding and has been determined based on historical exercise experience. Expected stock price volatility is based on the historical volatility of Mattel's stock for a period approximating the expected life, the expected dividend yield is based on Mattel's most recent actual annual dividend payout, and the risk-free interest rate is based on the implied yield available on US Treasury zero-coupon issues approximating the expected life. Judgment is also required in estimating the amount of share-based awards that will be forfeited prior to vesting. Management believes that these assumptions are "critical accounting estimates" because significant changes in the assumptions used to develop the estimates could materially affect key financial measures, including net income.

The weighted average grant date fair value of options granted during 2011, 2010, and 2009 was \$5.76, \$4.84, and \$3.71, respectively. The following weighted average assumptions were used in determining the fair value of options granted:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expected life (in years)	5.1	5.0	4.9
Risk-free interest rate	1.4%	1.7%	2.5%
Volatility factor	34.0%	34.3%	33.6%
Dividend yield	3.5%	3.5%	4.3%

Table of Contents

The following table summarizes the sensitivity of valuation assumptions within the calculation of stock option fair values, if all other assumptions are held constant:

	Increase in Assumption Factor	Increase (Decrease) in Fair Value (in % pts)
Expected life (in years)	1 year	4.2
Risk-free interest rate	1%	6.6
Volatility factor	1%	3.3
Dividend yield	1%	(11.1)

	(Decrease) in Assumption Factor	Increase (Decrease) in Fair Value (in % pts)
Expected life (in years)	(1) year	(5.9)
Risk-free interest rate	(1)%	(6.4)
Volatility factor	(1)%	(3.5)
Dividend yield	(1)%	12.1

Mattel recognized compensation expense of \$14.5 million, \$13.4 million, and \$13.0 million for stock options during 2011, 2010, and 2009, respectively, which is included within other selling and administrative expenses. Compensation expense recognized related to grants of restricted stock units was \$39.0 million, \$53.8 million, and \$37.0 million in 2011, 2010, and 2009, respectively, and is also included within other selling and administrative expenses. As of December 31, 2011, total unrecognized compensation cost related to unvested share-based payments totaled \$70.6 million and is expected to be recognized over a weighted-average period of 2.0 years.

Income Taxes

Mattel's income tax provision and related income tax assets and liabilities are based on actual and expected future income, US and foreign statutory income tax rates, and tax regulations and planning opportunities in the various jurisdictions in which Mattel operates. Management believes that the accounting estimate related to income taxes is a "critical accounting estimate" because significant judgment is required in interpreting tax regulations in the US and in foreign jurisdictions, evaluating Mattel's worldwide uncertain tax positions, and assessing the likelihood of realizing certain tax benefits. Actual results could differ materially from those judgments, and changes in judgments could materially affect Mattel's consolidated financial statements.

Certain income and expense items are accounted for differently for financial reporting and income tax purposes. As a result, the tax expense reflected in Mattel's consolidated statements of operations is different than that reported in Mattel's tax returns filed with the taxing authorities. Some of these differences are permanent, such as expenses that are not deductible in Mattel's tax return, and some differences reverse over time, such as depreciation expense. These timing differences create deferred income tax assets and liabilities. Deferred income tax assets generally represent items that can be used as a tax deduction or credit in Mattel's tax returns in future years for which Mattel has already recorded a tax benefit in its consolidated statement of operations. Mattel records a valuation allowance to reduce its deferred income tax assets if, based on the weight of available evidence, management believes expected future taxable income is not likely to support the use of a deduction or credit in that jurisdiction. Management evaluates the level of Mattel's valuation allowances at least annually, and more frequently if actual operating results differ significantly from forecasted results.

Mattel records unrecognized tax benefits for US federal, state, local, and foreign tax positions related primarily to transfer pricing, tax credits claimed, tax nexus, and apportionment. For each reporting period, management applies a consistent methodology to measure unrecognized tax benefits and all unrecognized tax

Table of Contents

benefits are reviewed periodically and adjusted as circumstances warrant. Mattel's measurement of its unrecognized tax benefits is based on management's assessment of all relevant information, including prior audit experience, the status of current audits, conclusions of tax audits, lapsing of applicable statutes of limitations, identification of new issues, and any administrative guidance or developments. Mattel recognizes unrecognized tax benefits in the first financial reporting period in which information becomes available indicating that such benefits will more-likely-than-not be realized.

Mattel's effective tax rate on income before income taxes in 2011 was 20.8%, as compared to 19.1% in 2010. The 2011 income tax provision includes net tax benefits of \$6.8 million, primarily related to reassessments of prior years' tax liabilities based on the status of current audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes.

The 2010 income tax provision includes net tax benefits of \$16.8 million, primarily related to the release of a valuation allowance related to the anticipated utilization of excess foreign tax credit carryforwards, 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, partially offset by the incremental tax cost to repatriate earnings from certain foreign subsidiaries for which income taxes had not been previously provided.

In the normal course of business, Mattel is regularly audited by federal, state, local, and foreign tax authorities. The ultimate settlement of any particular issue with the applicable taxing authority could have a material impact on Mattel's consolidated financial statements.

New Accounting Pronouncements

See Item 8 "Financial Statements and Supplementary Data—Note 1 to the Consolidated Financial Statements—Summary of Significant Accounting Policies."

Non-GAAP Financial Measure

In this Annual Report on Form 10-K, Mattel includes a non-GAAP financial measure, gross sales, which it uses to analyze its operations and to monitor, assess and identify meaningful trends in its operating and financial performance. Net sales, as reported in the consolidated statements of operations, include the impact of sales adjustments such as trade discounts and other allowances. Gross sales represent sales to customers, excluding the impact of sales adjustments. Consistent with its segment reporting, Mattel presents changes in gross sales as a metric for comparing its aggregate, business unit, brand and geographic results to highlight significant trends in Mattel's business. Changes in gross sales are discussed because, while Mattel records the detail of such sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with individual products, making net sales less meaningful.

A reconciliation of gross sales to the most directly comparable GAAP financial measure, net sales, is as follows:

	2011	For the Year 2010 (In thousands)	2009
Domestic:			
Mattel Girls & Boys Brands US	\$1,775,954	\$1,626,407	\$1,402,224
Fisher-Price Brands US	1,293,780	1,352,729	1,310,886
American Girl Brands	510,936	486,644	462,899
Total Domestic	3,580,670	3,465,780	3,176,009
International	3,260,417	2,920,830	2,758,315
Gross sales	6,841,087	6,386,610	5,934,324
Sales adjustments	(575,050)	(530,415)	(503,478)
Net sales	<u>\$6,266,037</u>	<u>\$5,856,195</u>	<u>\$5,430,846</u>

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Rate Risk

Currency exchange rate fluctuations may impact Mattel's results of operations and cash flows. Inventory transactions denominated in the Euro, British pound sterling, Mexican peso, Brazilian real, and Indonesian rupiah were the primary transactions that caused currency transaction exposure for Mattel during 2011, 2010, and 2009. Mattel seeks to mitigate its exposure to market risk by monitoring its 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 investment 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 year-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the fiscal year. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive loss within stockholders' equity. Mattel's primary currency translation exposures during 2011 were related to its net investment in entities having functional currencies denominated in the Euro, Mexican peso, Brazilian real, and British pound sterling.

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 \$0.01 to \$0.02.

Mattel's foreign currency forward exchange contracts that were used to hedge firm foreign currency commitments as of December 31, 2011 are shown in the following table. All contracts are against the US dollar and are maintained by reporting units with a US dollar functional currency, with the exception of the Indonesian rupiah contracts, which are maintained by entities with a rupiah functional currency.

Table of Contents

	Buy			Sell		
	Contract Amount	Weighted Average Contract Rate	Fair Value	Contract Amount	Average Contract Rate	Fair Value
	(In thousands of US dollars)					
Australian dollar*	\$ 51,737	1.01	\$ 793	\$ 6,765	1.03	\$ 98
British pound sterling*	19,447	1.57	(149)	—	—	—
Canadian dollar*	10,687	0.97	91	28,351	1.01	1,010
Czech koruna	3,101	19.51	(29)	—	—	—
Danish krone	2,507	5.68	(24)	—	—	—
Euro*	374,915	1.31	(3,415)	400,556	1.40	29,689
Hungarian forint	394	230.21	(20)	—	—	—
Indonesian rupiah	75,851	9,371.69	1,049	—	—	—
Japanese yen	16,017	77.70	178	19,132	77.72	(188)
Mexican peso	—	—	—	18,958	13.81	135
New Turkish lira	—	—	—	5,026	1.89	(18)
New Zealand dollar*	11,924	0.77	115	—	—	—
Norwegian krone	9,146	5.90	(100)	—	—	—
Polish zloty	—	—	—	3,039	3.41	25
Russian ruble	—	—	—	574	31.47	12
Singapore dollar	382	1,305.00	3	—	—	—
Swedish krona	7,081	6.85	(31)	—	—	—
Swiss franc	25,200	0.93	(188)	—	—	—
Taiwan dollar	—	—	—	11,349	30.54	(114)
	<u>\$608,389</u>		<u>\$(1,727)</u>	<u>\$493,750</u>		<u>\$30,649</u>

* The weighted average contract rate for these contracts is quoted in US dollar per local currency.

For the purchase of foreign currencies, fair value reflects the amount, based on dealer quotes, that Mattel would pay at maturity for contracts involving the same notional amounts, currencies and maturity dates, if they had been entered into as of December 31, 2011. For the sale of foreign currencies, fair value reflects the amount, based on dealer quotes, that Mattel would receive at maturity for contracts involving the same notional amounts, currencies and maturity dates, if they had been entered into as of December 31, 2011. The differences between the market forward amounts and the contract amounts are expected to be fully offset by currency transaction gains and losses on the underlying hedged transactions.

In addition to the contracts involving the US dollar detailed in the above table, Mattel also had contracts to sell British pound sterling for the purchase of Euro. As of December 31, 2011, these contracts had a contract amount of \$37.6 million and a fair value of \$(1.3) million.

Had Mattel not entered into hedges to limit the effect of currency exchange rate fluctuations on its results of operations and cash flows, its income before income taxes would have increased by approximately \$5 million in 2011, increased by approximately \$4 million in 2010, and decreased by approximately \$13 million in 2009.

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 bolivar fuertes generate income or expense for changes in value associated with foreign currency exchange rate fluctuations against the US dollar. Mattel's Venezuelan subsidiary uses the Sistema de Transacciones con Titulos en Moneda Extranjera ("SITME") rate, which is controlled by the Central Bank of Venezuela, to remeasure

Table of Contents

monetary assets and liabilities denominated in Venezuelan bolivar fuertes. The SITME rate was quoted at 5.30 Venezuelan bolivar fuertes per US dollar at December 31, 2011.

Mattel's Venezuelan subsidiary represented less than 0.1% of Mattel's consolidated net sales in 2011 and had approximately \$34 million of net monetary assets denominated in Venezuelan bolivar fuertes as of December 31, 2011. For every \$10 million of net monetary assets denominated in Venezuelan bolivar fuertes, a 10% increase/(decrease) in the foreign currency exchange rate would decrease/(increase) Mattel's pre-tax income by approximately \$1 million.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Mattel's management, including Bryan G. Stockton, its principal executive officer, and Kevin M. Farr, its principal financial officer, evaluated the effectiveness of Mattel's internal control over financial reporting using the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Mattel's internal control over financial reporting was effective as of December 31, 2011. The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Mattel, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Mattel, Inc. and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 23, 2012

Table of Contents

**MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
	(In thousands, except share data)	
ASSETS		
Current Assets		
Cash and equivalents	\$ 1,369,113	\$ 1,281,123
Accounts receivable, less allowance of \$26.3 million and 21.8 million in 2011 and 2010, respectively	1,246,687	1,146,106
Inventories	487,000	463,838
Prepaid expenses and other current assets	340,907	335,543
Total current assets	<u>3,443,707</u>	<u>3,226,610</u>
Property, plant, and equipment, net	523,941	484,705
Goodwill	822,139	824,007
Other noncurrent assets	881,851	882,411
Total Assets	<u>\$ 5,671,638</u>	<u>\$ 5,417,733</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 8,018	\$ —
Current portion of long-term debt	50,000	250,000
Accounts payable	334,999	406,270
Accrued liabilities	618,801	642,211
Income taxes payable	27,110	51,801
Total current liabilities	<u>1,038,928</u>	<u>1,350,282</u>
Noncurrent Liabilities		
Long-term debt	1,500,000	950,000
Other noncurrent liabilities	522,107	488,867
Total noncurrent liabilities	<u>2,022,107</u>	<u>1,438,867</u>
Commitments and Contingencies (See Note 13)		
Stockholders' Equity		
Common stock \$1.00 par value, 1.0 billion shares authorized; 441.4 million shares issued	441,369	441,369
Additional paid-in capital	1,690,405	1,706,461
Treasury stock at cost; 104.4 million shares and 92.3 million shares in 2011 and 2010, respectively	(2,242,522)	(1,880,692)
Retained earnings	3,167,996	2,720,645
Accumulated other comprehensive loss	(446,645)	(359,199)
Total stockholders' equity	<u>2,610,603</u>	<u>2,628,584</u>
Total Liabilities and Stockholders' Equity	<u>\$ 5,671,638</u>	<u>\$ 5,417,733</u>

The accompanying notes are an integral part of these statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year		
	2011	2010	2009
	(In thousands, except per share amounts)		
Net Sales	\$6,266,037	\$5,856,195	\$5,430,846
Cost of sales	3,120,211	2,901,222	2,716,149
Gross Profit	3,145,826	2,954,973	2,714,697
Advertising and promotion expenses	699,247	647,270	609,753
Other selling and administrative expenses	1,405,478	1,405,801	1,373,776
Operating Income	1,041,101	901,902	731,168
Interest expense	75,332	64,839	71,843
Interest (income)	(8,093)	(8,434)	(8,083)
Other non-operating expense (income), net	3,189	(1,328)	7,361
Income Before Income Taxes	970,673	846,825	660,047
Provision for income taxes	202,165	161,962	131,343
Net Income	<u>\$ 768,508</u>	<u>\$ 684,863</u>	<u>\$ 528,704</u>
Net Income Per Common Share—Basic	<u>\$ 2.20</u>	<u>\$ 1.88</u>	<u>\$ 1.45</u>
Weighted average number of common shares	344,669	360,615	360,085
Net Income Per Common Share—Diluted	<u>\$ 2.18</u>	<u>\$ 1.86</u>	<u>\$ 1.45</u>
Weighted average number of common and potential common shares	348,424	364,570	361,510
Dividends Declared Per Common Share	<u>\$ 0.92</u>	<u>\$ 0.83</u>	<u>\$ 0.75</u>

The accompanying notes are an integral part of these statements.

Table of Contents

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>2011</u>	<u>For the Year 2010 (In thousands)</u>	<u>2009</u>
Cash Flows From Operating Activities:			
Net income	\$ 768,508	\$ 684,863	\$ 528,704
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	147,458	149,977	152,065
Amortization	13,840	15,831	17,765
Asset impairments	—	15,444	11,146
Deferred income taxes	49,368	(3,871)	(21,971)
Tax benefits from share-based payment arrangements	(24,199)	(7,530)	(36,726)
Share-based compensation	53,476	67,138	49,962
(Decrease) increase from changes in assets and liabilities:			
Accounts receivable	(175,526)	(394,688)	154,909
Inventories	(40,015)	(106,182)	137,072
Prepaid expenses and other current assets	(22,689)	(5,464)	(5,350)
Accounts payable, accrued liabilities, and income taxes payable	(87,021)	109,061	(10,472)
Other, net	(18,507)	3,391	(32,063)
Net cash flows from operating activities	<u>664,693</u>	<u>527,970</u>	<u>945,041</u>
Cash Flows From Investing Activities:			
Purchases of tools, dies, and molds	(102,193)	(81,405)	(76,994)
Purchases of other property, plant, and equipment	(88,721)	(55,249)	(43,493)
Payments for intangible assets acquired	(2,005)	(15,761)	(3,299)
Proceeds (payments) from foreign currency forward exchange contracts	16,432	(7,322)	15,774
Proceeds from sale of investments	—	10,549	73,132
Proceeds from sale of other property, plant, and equipment	1,983	2,538	1,351
Net cash flows used for investing activities	<u>(174,504)</u>	<u>(146,650)</u>	<u>(33,529)</u>
Cash Flows From Financing Activities:			
Payments of short-term borrowings	(236,811)	(7,404)	(451,815)
Proceeds from short-term borrowings	244,829	5,454	453,090
Payments of long-term borrowings	(250,000)	(50,000)	(150,000)
Net proceeds from long-term borrowings	591,801	493,175	—
Payment of credit facility renewal costs	(6,917)	—	(11,452)
Share repurchases	(524,009)	(446,704)	—
Payment of dividends on common stock	(316,503)	(291,256)	(271,353)
Proceeds from exercise of stock options	115,611	73,364	30,896
Tax benefits from share-based payment arrangements	24,199	7,530	36,726
Other, net	(39,508)	(8,975)	(12,182)
Net cash flows used for financing activities	<u>(397,308)</u>	<u>(224,816)</u>	<u>(376,090)</u>
Effect of Currency Exchange Rate Changes on Cash	<u>(4,891)</u>	<u>7,622</u>	<u>(36,119)</u>
Increase in Cash and Equivalents	87,990	164,126	499,303
Cash and Equivalents at Beginning of Year	<u>1,281,123</u>	<u>1,116,997</u>	<u>617,694</u>
Cash and Equivalents at End of Year	<u>\$1,369,113</u>	<u>\$1,281,123</u>	<u>\$1,116,997</u>
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes, gross	\$ 173,625	\$ 149,327	\$ 131,333
Interest	76,502	53,023	69,503

The accompanying notes are an integral part of these statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings (In thousands)	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
Balance, December 31, 2008	\$ 441,369	\$ 1,642,092	\$(1,621,264)	\$2,085,573	\$ (430,635)	\$ 2,117,135
Comprehensive income:						
Net income				528,704		528,704
Change in net unrealized gains/losses on derivative instruments, net of tax					(19,805)	(19,805)
Defined benefit pension plans, net prior service cost, and net actuarial loss, net of tax					18,696	18,696
Currency translation adjustments					52,210	52,210
Comprehensive income				528,704	51,101	579,805
Issuance of treasury stock for stock option exercises		(17,219)	48,115			30,896
Other issuance of treasury stock		(209)	209			—
Restricted stock units		(26,658)	18,566			(8,092)
Deferred compensation			(672)	(323)		(995)
Share-based compensation		49,962				49,962
Tax benefits from share-based payment arrangements		36,726				36,726
Dividend equivalents for restricted stock units				(3,095)		(3,095)
Dividends				(271,353)		(271,353)
Balance, December 31, 2009	441,369	1,684,694	(1,555,046)	2,339,506	(379,534)	2,530,989
Comprehensive income:						
Net income				684,863		684,863
Change in net unrealized gains/losses on derivative instruments, net of tax					11,749	11,749
Defined benefit pension plans, net prior service cost, and net actuarial loss, net of tax					7,703	7,703
Currency translation adjustments					883	883
Comprehensive income				684,863	20,335	705,198
Purchase of treasury stock			(446,704)			(446,704)
Issuance of treasury stock for stock option exercises		(20,623)	93,987			73,364
Other issuance of treasury stock		15	85			100
Restricted stock units		(32,293)	21,746			(10,547)
Deferred compensation			5,240	(426)		4,814
Share-based compensation		67,138				67,138
Tax benefits from share-based payment arrangements		7,530				7,530
Dividend equivalents for restricted stock units				(3,342)		(3,342)
Dividends				(291,256)		(291,256)
Adjustment for adoption of ASU 2010-11, net of tax				(8,700)		(8,700)
Balance, December 31, 2010	441,369	1,706,461	(1,880,692)	2,720,645	(359,199)	2,628,584
Comprehensive income:						
Net income				768,508		768,508
Change in net unrealized gains/losses on derivative instruments, net of tax					27,743	27,743
Defined benefit pension plans, net prior service cost, and net actuarial loss, net of tax					(38,084)	(38,084)
Currency translation adjustments					(77,105)	(77,105)
Comprehensive income				768,508	(87,446)	681,062
Purchase of treasury stock			(536,318)			(536,318)
Issuance of treasury stock for stock option exercises		(9,758)	125,369			115,611
Restricted stock units		(84,631)	48,530			(36,101)
Deferred compensation			589	(439)		150
Share-based compensation		53,476				53,476
Tax benefits from share-based payment arrangements		24,199				24,199
Dividend equivalents for restricted stock units		658		(4,215)		(3,557)
Dividends				(316,503)		(316,503)
Balance, December 31, 2011	<u>\$ 441,369</u>	<u>\$ 1,690,405</u>	<u>\$(2,242,522)</u>	<u>\$3,167,996</u>	<u>\$ (446,645)</u>	<u>\$ 2,610,603</u>

The accompanying notes are an integral part of these statements.

MATTEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Preparation

The consolidated financial statements include the accounts of Mattel, Inc. and its subsidiaries (“Mattel”). All wholly and majority-owned subsidiaries are consolidated and included in Mattel’s consolidated financial statements. Mattel does not have any minority stock ownership interests in which it has a controlling financial interest that would require consolidation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could ultimately differ from those estimates.

Cash and Equivalents

Cash and equivalents include short-term investments, which are highly liquid investments with maturities of three months or less when purchased. Such investments are stated at cost, which approximates market value.

Accounts Receivable and Allowance for Doubtful Accounts

Credit is granted to customers on an unsecured basis. Credit limits and payment terms are established based on extensive evaluations made on an ongoing basis throughout the fiscal year of the financial performance, cash generation, financing availability, and liquidity status of each customer. Customers are reviewed at least annually, with more frequent reviews performed as necessary, based on the customer’s financial condition and the level of credit being extended. For customers who are experiencing financial difficulties, management performs additional financial analyses before shipping to those customers on credit. 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 records an allowance for doubtful accounts based on management’s assessment of the business environment, customers’ financial condition, historical collection experience, accounts receivable aging, and customer disputes.

Inventories

Inventories, net of an allowance for excess quantities and obsolescence, are stated at the lower of cost or market. Inventory allowances are charged to cost of sales and establish a lower cost basis for the inventory. Cost is determined by the first-in, first-out method.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over estimated useful lives of 10 to 30 years for buildings, 3 to 10 years for machinery and equipment, and 10 to 20 years, not to exceed the lease term, for leasehold improvements. Tools, dies, and molds are amortized using the straight-line method over 3 years.

Table of Contents

Estimated useful lives are periodically reviewed and, where appropriate, changes are made prospectively. The carrying value of property, plant, and equipment is reviewed when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Any potential impairment identified is assessed by evaluating the operating performance and future undiscounted cash flows of the underlying assets. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the consolidated balance sheet and any resulting gain or loss is included in the results of operations.

Goodwill and Intangible Assets

Goodwill is allocated to various reporting units, which are either at the operating segment level or one reporting level below the operating segment, for purposes of evaluating whether goodwill is impaired. Mattel's reporting units are: Mattel Girls Brands US, Mattel Boys Brands US, Fisher-Price Brands US, American Girl Brands, and International. Mattel tests goodwill for impairment annually in the third quarter, or whenever events or changes in circumstances indicate that the carrying value may exceed its fair value.

Mattel tests its nonamortizable intangible assets, including trademarks and trade names, for impairment by comparing the estimated fair values of the nonamortizable intangible assets with the carrying values. Mattel tests nonamortizable intangible assets for impairment annually in the third quarter, or whenever events or changes in circumstances indicate that the carrying value may exceed its fair value. The fair value of trademark and trade name intangibles is measured using a multi-period royalty savings method, which reflects the savings realized by owning the trademarks and trade names, and thus not having to pay a royalty fee to a third party.

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 recovered.

Foreign Currency Translation Exposure

Mattel's reporting currency is the US dollar. The translation of its net investment in subsidiaries with non-US dollar functional currencies subjects Mattel to 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 year-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the year. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive loss within stockholders' equity. Mattel's primary currency translation exposures in 2011 were related to its net investment in entities having functional currencies denominated in the Euro, Mexican peso, Brazilian real, and British pound sterling.

Foreign Currency Transaction Exposure

Currency exchange rate fluctuations may impact Mattel's results of operations and cash flows. Mattel's currency transaction exposures include gains and losses realized on unhedged inventory purchases and unhedged receivables and payables balances that are denominated in a currency other than the applicable functional currency. Gains and losses on unhedged inventory purchases and other transactions associated with operating activities are recorded in the components of operating income in the consolidated statement of operations. Gains and losses on unhedged intercompany loans and advances are recorded as a component of other non-operating income/expense, net in the consolidated statements of operations in the period in which the currency exchange rate changes. Inventory transactions denominated in the Euro, British pound sterling, Mexican peso, Brazilian real, and Indonesian rupiah were the primary transactions that cause foreign currency transaction exposure for Mattel in 2011.

Derivative Instruments

Mattel uses foreign currency forward exchange contracts as cash flow hedges primarily to hedge its purchases and sales of inventory denominated in foreign currencies. At the inception of the contracts, Mattel designates these derivatives as cash flow hedges and documents the relationship of the hedge to the underlying

Table of Contents

transaction. Hedge effectiveness is assessed at inception and throughout the life of the hedge to ensure the hedge qualifies for hedge accounting. Changes in fair value associated with hedge ineffectiveness, if any, are recorded in the results of operations. Changes in fair value of cash flow hedge derivatives are deferred and recorded as part of accumulated other comprehensive loss in stockholders' equity until the underlying transaction affects earnings. In the event that an anticipated transaction is no longer likely to occur, Mattel recognizes the change in fair value of the derivative in its results of operations in the period the determination is made.

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 does not use hedge accounting for these contracts, and as such, changes in fair value are recorded in the period of change in the consolidated statements of operations.

Revenue Recognition and Sales Adjustments

Revenue is recognized upon shipment or upon receipt of products by the customer, depending on terms, provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an agreement exists documenting the specific terms of the transaction; the sales price is fixed or determinable; and collectibility is reasonably assured. Management assesses the business environment, the customer's financial condition, historical collection experience, accounts receivable aging, and customer disputes to determine whether collectibility is reasonably assured. If collectibility is not considered reasonably assured at the time of sale, Mattel does not recognize revenue until collection occurs. Value added taxes are recorded on a net basis, and are excluded from revenue. Mattel routinely enters into arrangements with its customers to provide sales incentives, support customer promotions, and provide allowances for returns and defective merchandise. Such programs are based primarily on customer purchases, customer performance of specified promotional activities, and other specified factors such as sales to consumers. The costs of these programs are recorded as sales adjustments that reduce gross revenue in the period the related revenue is recognized.

Advertising and Promotion Costs

Costs of media advertising are expensed the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct-response advertising consists primarily of catalog production and mailing costs, which are generally amortized within three months from the date the catalogs are mailed.

Product Recalls and Withdrawals

Mattel establishes a reserve for product recalls and withdrawals on a product-specific basis when circumstances giving rise to the recall or withdrawal become known. Facts and circumstances related to the recall or withdrawal, including where the product affected by the recall or withdrawal is located (e.g., with consumers, in customers' inventory, or in Mattel's inventory), cost estimates for shipping and handling for returns, cost estimates for communicating the recall or withdrawal to consumers and customers, and cost estimates for parts and labor if the recalled or withdrawn product is deemed to be repairable, are considered when establishing a product recall or withdrawal reserve. These factors are updated and reevaluated each period and the related reserves are adjusted when these factors indicate that the recall or withdrawal reserve is either not sufficient to cover or exceeds the estimated product recall or withdrawal expenses.

Design and Development Costs

Product design and development costs primarily include employee compensation and outside services, and are charged to the results of operations as incurred.

Employee Benefit Plans

Mattel and certain of its subsidiaries have retirement and other postretirement benefit plans covering substantially all employees of these companies. Actuarial valuations are used in determining amounts recognized

Table of Contents

in the financial statements for certain retirement and other postretirement benefit plans (see “Note 6 to the Consolidated Financial Statements—Employee Benefit Plans”).

Share-Based Payments

Mattel recognizes the cost of employee share-based payment awards on a straight-line attribution basis over the requisite employee service period, net of estimated forfeitures. In determining when additional tax benefits associated with share-based payment exercises are recognized, Mattel follows the ordering of deductions under the tax law, which allows deductions for share-based payment exercises to be utilized before previously existing net operating loss carryforwards.

Determining the fair value of share-based awards at the measurement date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility, and the expected dividends. Mattel estimates the fair value of options granted using the Black-Scholes valuation model. The expected life of the options used in this calculation is the period of time the options are expected to be outstanding and has been determined based on historical exercise experience. Expected stock price volatility is based on the historical volatility of Mattel’s stock for a period approximating the expected life, the expected dividend yield is based on Mattel’s most recent actual annual dividend payout, and the risk-free interest rate is based on the implied yield available on US Treasury zero-coupon issues approximating the expected life. Judgment is also required in estimating the amount of share-based awards that will be forfeited prior to vesting.

Income Taxes

Certain income and expense items are accounted for differently for financial reporting and income tax purposes. Deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, applying enacted statutory income tax rates in effect for the year in which the differences are expected to reverse.

In the normal course of business, Mattel is regularly audited by federal, state, local, and foreign tax authorities. The ultimate settlement of any particular issue with the applicable taxing authority could have a material impact on Mattel’s consolidated financial statements.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs*. ASU 2011-04 clarifies some existing concepts, eliminates wording differences between US GAAP and International Financial Reporting Standards (“IFRS”), and in some limited cases, changes some principles to achieve convergence between US GAAP and IFRS. ASU 2011-04 results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between US GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. ASU 2011-04 will be effective for Mattel for fiscal years beginning after December 15, 2011. Mattel does not expect the adoption of ASU 2011-04 to have a material effect on its operating results or financial position.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, which

Table of Contents

defers specific requirements to present reclassification adjustments for each component of accumulated other comprehensive income. ASU 2011-05 will be retroactively effective for Mattel for fiscal years beginning after December 15, 2011. Mattel does not expect the adoption of ASU 2011-05 to have a material effect on its operating results or financial position.

In September 2011, the FASB issued ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. ASU 2011-08 will be effective for Mattel for fiscal years beginning after December 15, 2011. Mattel does not expect the adoption of ASU 2011-08 to have a material effect on its operating results or financial position.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosure about Offsetting Assets and Liabilities*, which requires an entity to include additional disclosures about financial instruments and transactions eligible for offset in the statement of financial position, as well as financial instruments subject to a master netting agreement or similar arrangement. ASU 2011-11 will be retroactively effective for Mattel for fiscal years beginning on or after January 1, 2013. Mattel does not expect the adoption of ASU 2011-11 to have a material effect on its operating results or financial position.

Note 2—Goodwill and Other Intangibles

The change in the carrying value of goodwill by reporting unit for 2011 and 2010 is shown below. Brand-specific goodwill held by foreign subsidiaries is allocated to the US reporting units selling those brands, thereby causing foreign currency translation impact to the US reporting units.

	Mattel Girls Brands	Mattel Boys Brands	Fisher- Price Brands	American Girl		
	US	US	US	Brands	International	Total
	(In thousands)					
Balance at December 31, 2009	\$ 32,082	\$ 130,737	\$216,080	\$ 207,571	\$ 241,998	\$828,468
Impact of currency exchange rate changes	(1,011)	(79)	(201)	—	(3,170)	(4,461)
Balance at December 31, 2010	31,071	130,658	215,879	207,571	238,828	824,007
Impact of currency exchange rate changes	(125)	(9)	(24)	—	(1,710)	(1,868)
Balance at December 31, 2011	<u>\$ 30,946</u>	<u>\$ 130,649</u>	<u>\$215,855</u>	<u>\$ 207,571</u>	<u>\$ 237,118</u>	<u>\$822,139</u>

In 2011, Mattel performed the annually required impairment tests and determined that its goodwill was not impaired. Mattel has not recorded any goodwill impairment subsequent to its initial adoption of Accounting Standards Codification (“ASC”) 350-20, *Goodwill*, on January 1, 2002.

Identifiable intangibles include the following:

	December 31,	
	2011	2010
	(In thousands)	
Nonamortizable identifiable intangibles	\$122,223	\$122,223
Identifiable intangibles (net of amortization of \$55.5 million and \$64.2 million at December 31, 2011 and 2010, respectively)	84,486	91,359
	<u>\$206,709</u>	<u>\$213,582</u>

Table of Contents

In October 2010, Mattel acquired the intellectual property rights related to Phase 10[®] for \$15.8 million, including acquisition costs, which is included within amortizable identifiable intangibles.

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 value may exceed its fair value. During 2011 and 2010, Mattel performed the annual impairment tests and determined that its nonamortizable intangible assets were not impaired. However, during 2011, for one of Mattel's nonamortizable intangible assets with a carrying value of approximately \$113 million, the fair value did not exceed the carrying value by a significant margin. Future changes in estimates resulting in lower than currently anticipated future cash flows and fair value could negatively affect the valuation, which may result in Mattel recognizing an impairment charge in the future.

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. As a result of these impairment tests, Mattel recorded an impairment charge of approximately \$8 million during 2010, which is reflected within other selling and administrative expenses. Amortizable intangible assets were determined to not be impaired during 2011.

Note 3—Income Taxes

Consolidated pre-tax income consists of the following:

	<u>2011</u>	<u>For the Year 2010</u> (In thousands)	<u>2009</u>
US operations	\$169,706	\$124,160	\$107,593
Foreign operations	800,967	722,665	552,454
	<u>\$970,673</u>	<u>\$846,825</u>	<u>\$660,047</u>

The provision (benefit) for current and deferred income taxes consists of the following:

	<u>2011</u>	<u>For the Year 2010</u> (In thousands)	<u>2009</u>
Current			
Federal	\$ 15,933	\$ 14,057	\$ 9,251
State	5,268	8,686	9,975
Foreign	131,596	143,090	134,088
	<u>152,797</u>	<u>165,833</u>	<u>153,314</u>
Deferred			
Federal	49,853	(10,894)	564
State	(2,629)	10,599	(8,828)
Foreign	2,144	(3,576)	(13,707)
	<u>49,368</u>	<u>(3,871)</u>	<u>(21,971)</u>
Provision for income taxes	<u>\$202,165</u>	<u>\$161,962</u>	<u>\$131,343</u>

Table of Contents

Deferred income taxes are provided principally for tax credit carryforwards, research and development expenses, net operating loss carryforwards, employee compensation-related expenses and certain other reserves that are recognized in different years for financial statement and income tax reporting purposes. Mattel's deferred income tax assets (liabilities) are composed of the following:

	December 31,	
	2011	2010
	(In thousands)	
Tax credit carryforwards	\$ 124,404	\$ 134,044
Research and development expenses	183,270	184,132
Loss carryforwards	54,351	54,747
Allowances and reserves	133,068	138,938
Deferred compensation	100,122	115,822
Postretirement benefits	76,587	63,707
Other	56,185	49,395
Gross deferred income tax assets	<u>727,987</u>	<u>740,785</u>
Intangible assets	(132,320)	(116,919)
Other	(10,563)	(8,649)
Gross deferred income tax liabilities	<u>(142,883)</u>	<u>(125,568)</u>
Deferred income tax asset valuation allowances	(42,286)	(44,917)
Net deferred income tax assets	<u>\$ 542,818</u>	<u>\$ 570,300</u>

Net deferred income tax assets are reported in the consolidated balance sheets as follows:

	December 31,	
	2011	2010
	(In thousands)	
Prepaid expenses and other current assets	\$ 110,422	\$ 135,612
Other noncurrent assets	473,832	477,320
Accrued liabilities	(194)	(319)
Other noncurrent liabilities	(41,242)	(42,313)
	<u>\$542,818</u>	<u>\$570,300</u>

As of December 31, 2011, Mattel has federal and foreign loss carryforwards totaling \$140.4 million and tax credit carryforwards of \$124.4 million, which does not include carryforwards that do not meet the threshold for recognition in the financial statements. Utilization of these loss and tax credit carryforwards is subject to annual limitations. Mattel's loss and tax credit carryforwards expire in the following periods:

	Loss Carryforwards	(In millions)	Tax Credit Carryforwards
2012 – 2016	\$ 65.4		\$ 72.7
Thereafter	2.2		46.1
No expiration date	72.8		5.6
Total	<u>\$ 140.4</u>		<u>\$ 124.4</u>

Table of Contents

Management considered all available evidence under existing tax law and anticipated expiration of tax statutes and determined that a valuation allowance of \$38.0 million was required as of December 31, 2011 for those loss and tax credit carryforwards that are not expected to provide future tax benefits. In addition, management determined that a valuation allowance of \$4.3 million was required as of December 31, 2011 for those deferred tax assets for which there is not sufficient evidence as to its ultimate utilization, primarily related to certain foreign affiliates. Changes in the valuation allowance for 2011 include increases in the valuation allowance for 2011 foreign losses without benefits, and decreases in the valuation allowance for expiration and projected utilization of tax loss and tax credit carryforwards. Management believes it is more-likely-than-not that Mattel will generate sufficient taxable income in the appropriate future periods to realize the benefit of the remaining net deferred income tax assets of \$542.8 million. Changes in enacted tax laws, audits in various jurisdictions around the world, settlements or acquisitions, could negatively impact Mattel's ability to fully realize all of the benefits of its remaining net deferred tax assets.

Differences between the provision for income taxes at the US federal statutory income tax rate and the provision in the consolidated statements of operations are as follows:

	For the Year		
	2011	2010 (In thousands)	2009
Provision at US federal statutory rates	\$ 339,736	\$ 296,389	\$231,016
(Decrease) increase resulting from:			
Foreign earnings taxed at different rates, including withholding taxes	(139,476)	(138,352)	(82,029)
Foreign losses without income tax benefit	2,883	5,398	6,148
State and local taxes, net of US federal benefit	4,833	12,535	5,486
Adjustments to previously accrued taxes	(6,800)	(638)	(28,840)
Foreign tax credit benefit, net of cost to repatriate foreign earnings	—	(16,200)	—
Other	989	2,830	(438)
Provision for income taxes	<u>\$ 202,165</u>	<u>\$ 161,962</u>	<u>\$131,343</u>

In assessing whether uncertain tax positions should be recognized in its financial statements, Mattel first determines whether it is more-likely-than-not (a greater than 50 percent likelihood) that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, Mattel presumes that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. For tax positions that meet the more-likely-than-not recognition threshold, Mattel measures the amount of benefit recognized in the financial statements at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Mattel recognizes unrecognized tax benefits in the first financial reporting period in which information becomes available indicating that such benefits will more-likely-than-not be realized.

Mattel records unrecognized tax benefits for US federal, state, local, and foreign tax positions related primarily to transfer pricing, tax credits claimed, tax nexus, and apportionment. For each reporting period, management applies a consistent methodology to measure unrecognized tax benefits and all unrecognized tax benefits are reviewed periodically and adjusted as circumstances warrant. Mattel's measurement of its unrecognized tax benefits is based on management's assessment of all relevant information, including prior audit experience, the status of current audits, conclusions of tax audits, lapsing of applicable statutes of limitations, identification of new issues, and any administrative guidance or developments.

Table of Contents

A reconciliation of unrecognized tax benefits is as follows:

	<u>2011</u>	<u>2010</u> (In millions)	<u>2009</u>
Unrecognized tax benefits at January 1	\$252.6	\$230.0	\$ 80.3
Increases for positions taken in current year	13.5	14.8	9.4
Increases for positions taken in a prior year	2.3	14.9	194.3
Decreases for positions taken in a prior year	(1.0)	(4.3)	(30.2)
Decreases for settlements with taxing authorities	(1.4)	(1.7)	(23.0)
Decreases for lapses in the applicable statute of limitations	(3.4)	(1.1)	(0.8)
Unrecognized tax benefits at December 31	<u>\$262.6</u>	<u>\$252.6</u>	<u>\$230.0</u>

Of the \$262.6 million of unrecognized tax benefits as of December 31, 2011, \$254.5 million would impact the effective tax rate if recognized, however a valuation allowance would likely be recorded against certain capital losses included in this amount.

During 2011, Mattel recognized \$1.4 million of interest and penalties related to unrecognized tax benefits, which is reflected in provision for income taxes in the consolidated statements of operations. As of December 31, 2011, Mattel had accrued \$12.9 million in interest and penalties related to unrecognized tax benefits. Of this balance, \$12.4 million would impact the effective tax rate if recognized.

In the normal course of business, Mattel is regularly audited by federal, state, local and foreign tax authorities. The IRS is currently auditing Mattel's 2008 and 2009 federal income tax returns. The IRS audit plan calls for the completion of the current examination in the second quarter of 2012. In the fourth quarter of 2011, the IRS issued several Notices of Proposed Adjustments ("NOPA") related to its examination. The NOPAs are not final, as the IRS has not issued its final examination report. Mattel is currently in discussions with the IRS in an effort to reach a resolution of all issues. Mattel files multiple state and local income tax returns and remains subject to examination in various of these jurisdictions, including California for the 2005 through 2011 tax years, New York for the 2004 through 2011 tax years, and Wisconsin for the 2008 through 2011 tax years. Mattel files multiple foreign income tax returns and remains subject to examination in major foreign jurisdictions, including Hong Kong and Venezuela for the 2005 through 2011 tax years, and Brazil, Mexico and Netherlands for the 2006 through 2011 tax years. Based on the current status of the IRS audit, there is insufficient information to quantify any significant changes in unrecognized tax benefits in the next twelve months. Based on the current status of state and foreign audits, Mattel may recognize a benefit of up to approximately \$10 million related to the settlement of tax audits and/or the expiration of statutes of limitations in the next twelve months. The ultimate settlement of any particular issue with the applicable taxing authority could have a material impact on Mattel's consolidated financial statements.

In the first quarter of 2010, Mattel reached a resolution with the IRS regarding all open issues relating to the examination of Mattel's US federal income tax returns for the years 2006 and 2007. The resolution did not have a material impact on Mattel's 2010 consolidated financial statements.

In 2011, income was positively impacted by net tax benefits of \$6.8 million, primarily related to reassessments of prior years' tax liabilities based on the status of current audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes. In 2010, income was positively impacted by net tax benefits of \$16.8 million. The August 2010 enactment of the foreign tax credit provisions in the Education Jobs and Medicaid Assistance Act ("EJMA") will impair Mattel's ability to utilize certain foreign tax credits expected to be generated in future years, which will provide Mattel with greater capacity in future years to utilize excess foreign tax credit carryforwards from prior years. As a result of the EJMA and other elements of Mattel's current US tax position, Mattel formalized a plan to repatriate earnings from certain foreign subsidiaries in order to be able to fully utilize excess foreign tax credit carryforwards from prior years. The

Table of Contents

combination of these events resulted in the recognition of a discrete gross tax benefit of \$59.1 million related to the anticipated utilization of excess foreign tax credits carryforwards, for which a valuation allowance had previously been provided, partially offset by a discrete tax expense of \$42.9 million related to the incremental cost to repatriate earnings from certain foreign subsidiaries for which taxes had not been previously provided. In addition, Mattel also recognized discrete tax benefits of \$0.6 million 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.

The cumulative amount of undistributed earnings of foreign subsidiaries that Mattel intends to indefinitely reinvest and upon which no deferred US income taxes have been provided is approximately \$4.5 billion as of December 31, 2011. Management periodically reviews the undistributed earnings of its foreign subsidiaries and reassesses the intent to indefinitely reinvest such earnings.

The additional US income tax on unremitted foreign earnings, if repatriated, would be offset in part by foreign tax credits. The extent of this offset would depend on many factors, including the method of distribution, and specific earnings distributed.

Accounting principles generally accepted in the United States of America require that tax benefits related to the exercise of nonqualified stock options and vesting of other stock compensation awards be credited to additional paid-in-capital in the period in which such amounts reduce current taxes payable. The exercise of nonqualified stock options and vesting of other stock compensation awards resulted in an increase to additional paid-in-capital for related income tax benefits totaling \$24.2 million, \$7.5 million, and \$36.7 million, in 2011, 2010, and 2009, respectively.

Note 4—Product Recalls and Withdrawals

During 2007, Mattel recalled products with high-powered magnets that may become dislodged and other products, some of which were produced using non-approved paint containing lead in excess of applicable regulatory and Mattel standards. During the second half of 2007, additional products were recalled, withdrawn from retail stores, or replaced at the request of consumers as a result of safety or quality issues (collectively, the “2007 Product Recalls”). In the second quarter of 2008, Mattel determined that certain products had been shipped into foreign markets in which the products did not meet all applicable regulatory standards for those markets. None of these deficiencies related to lead or magnets. Mattel withdrew these products from retail stores in these markets and, although not required to do so, also withdrew the products from the US and other markets because they did not meet Mattel’s internal standards (the “2008 Product Withdrawal”).

The following table summarizes Mattel’s reserves and reserve activity for the 2007 Product Recalls and the 2008 Product Withdrawal:

	Product Returns/		
	<u>Redemptions</u>	<u>Other</u> (In thousands)	<u>Total</u>
Balance at December 31, 2008	\$ 3,605	\$ 1,338	\$ 4,943
Reserves used	(1,297)	(311)	(1,608)
Changes in estimates	(2,370)	707	(1,663)
Impact of currency exchange rate changes	77	(26)	51
Balance at December 31, 2009	\$ 15	\$ 1,708	\$ 1,723
Reserves used	(15)	(1,180)	(1,195)
Changes in estimates	—	(528)	(528)
Balance at December 31, 2010	\$ —	\$ —	\$ —

Table of Contents

Following the announcement of the 2007 Product Recalls, a number of lawsuits were filed against Mattel with respect to the recalled products. During 2009, Mattel recorded charges of \$27.4 million, which are included in other selling and administrative expenses, to reserve for the settlement of the product liability-related litigation. During 2010, Mattel reduced its estimate of these settlement costs, which had the effect of reducing other selling and administrative expenses by \$8.7 million, primarily based on actual experience under the settlement program. Additionally, Mattel recorded a \$4.8 million benefit and \$6.0 million benefit during 2010 and 2009, respectively, from insurance recoveries of costs incurred in connection with the product liability-related litigation. During 2011, there were no changes to the reserve estimates for the product liability-related litigation.

On September 30, 2010, Fisher-Price, Inc., a subsidiary of Mattel, in cooperation with the US Consumer Product Safety Commission and Health Canada, voluntarily recalled certain products in the US and international markets. These recalls resulted in a total reduction to operating income of \$7.6 million in 2010, which was based on estimates such as the expected levels of affected products at retail and historical consumer return rates.

Although management is not aware of any additional quality or safety issues that are likely to result in material recalls or withdrawals, there can be no assurance that additional issues will not be identified in the future.

Note 5—Restructuring Charges

During 2008, Mattel initiated the first phase of its cost savings program, Global Cost Leadership, which was designed to improve operating efficiencies and leverage Mattel's global scale to improve profitability and operating cash flows. The major initiatives within the Global Cost Leadership program included:

- A global reduction in Mattel's professional workforce during 2008 and 2009,
- A coordinated efficiency strategic plan that included structural changes designed to lower costs and improve efficiencies; for example, offshoring and outsourcing certain back office functions, and additional clustering of management in international markets, and
- Procurement initiatives designed to further leverage Mattel's global scale in areas such as creative agency partnerships, legal services, and distribution, including ocean carriers and over-the-road freight vendors.

During 2011, Mattel initiated the second phase of its cost savings program, Operational Excellence 2.0. The major initiatives within the Operational Excellence 2.0 program include:

- The creation of global brand teams and reorganization to a North America division,
- Additional procurement initiatives designed to fully leverage Mattel's global scale,
- SKU efficiency, and
- Packaging optimization.

Table of Contents

In connection with these cost savings programs, Mattel recorded severance and other termination-related charges of \$14.9 million, \$13.0 million, and \$31.5 million during 2011, 2010, and 2009, respectively, which are included within other selling and administrative expenses. The following table summarizes Mattel's severance and other termination costs activity:

	<u>Severance</u>	<u>Other Termination Costs</u> (In thousands)	<u>Total</u>
Balance at December 31, 2008	\$ 17,115	\$ 881	\$ 17,996
Charges	31,176	324	31,500
Payments	<u>(29,508)</u>	<u>(980)</u>	<u>(30,488)</u>
Balance at December 31, 2009	18,783	225	19,008
Charges	12,951	10	12,961
Payments	<u>(26,463)</u>	<u>(90)</u>	<u>(26,553)</u>
Balance at December 31, 2010	5,271	145	5,416
Charges	14,806	54	14,860
Payments	<u>(15,747)</u>	<u>(40)</u>	<u>(15,787)</u>
Balance at December 31, 2011	<u>\$ 4,330</u>	<u>\$ 159</u>	<u>\$ 4,489</u>

Note 6—Employee Benefit Plans

Mattel and certain of its subsidiaries have qualified and nonqualified retirement plans covering substantially all employees of these companies. These plans include defined benefit pension plans, defined contribution retirement plans, postretirement benefit plans, and deferred compensation and excess benefit plans. In addition, Mattel makes contributions to government-mandated retirement plans in countries outside the US where its employees work.

A summary of retirement plan expense is as follows:

	<u>For the Year</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In millions)		
Defined contribution retirement plans	\$36.9	\$33.3	\$33.4
Defined benefit pension plans	37.6	31.7	27.7
Deferred compensation and excess benefit plans	0.7	4.6	6.0
Postretirement benefit plans	<u>1.6</u>	<u>1.9</u>	<u>2.6</u>
	<u>\$76.8</u>	<u>\$71.5</u>	<u>\$69.7</u>

Defined Benefit Pension and Postretirement Benefit Plans

Mattel provides defined benefit pension plans for eligible domestic employees, which are intended to comply with the requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”). Some of Mattel's foreign subsidiaries have defined benefit pension plans covering substantially all of their eligible employees. Mattel funds these plans in accordance with the terms of the plans and local statutory requirements, which differ for each of the countries in which the subsidiaries are located. Mattel also has unfunded postretirement health insurance plans covering certain eligible domestic employees.

Table of Contents

A summary of the components of Mattel's net periodic benefit cost and other changes in plan assets and benefit obligations recognized in other comprehensive income for the years ended December 31 are as follows:

	Defined Benefit Pension Plans			Postretirement Benefit Plans		
	2011	2010	2009	2011	2010	2009
	(In thousands)					
Net periodic benefit cost:						
Service cost	\$ 13,610	\$ 12,441	\$ 11,153	\$ 73	\$ 76	\$ 82
Interest cost	28,433	27,934	26,606	1,576	1,820	2,263
Expected return on plan assets	(25,714)	(24,581)	(24,330)	—	—	—
Amortization of prior service cost	1,776	2,453	1,815	—	—	—
Recognized actuarial loss (gain)	19,492	13,499	12,502	(48)	52	237
Net periodic benefit cost	<u>\$ 37,597</u>	<u>\$ 31,746</u>	<u>\$ 27,746</u>	<u>\$ 1,601</u>	<u>\$ 1,948</u>	<u>\$ 2,582</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income:						
Net loss (gain)	\$ 62,687	\$ 482	\$(26,705)	\$(1,249)	\$(9,502)	\$(3,609)
Prior service cost (credit)	2	(675)	347	—	—	—
Amortization of prior service cost	(1,776)	(2,453)	(1,815)	—	—	—
Total recognized in other comprehensive income (a)	<u>\$ 60,913</u>	<u>\$ (2,646)</u>	<u>\$(28,173)</u>	<u>\$ (1,249)</u>	<u>\$(9,502)</u>	<u>\$(3,609)</u>
Total recognized in net periodic benefit cost and other comprehensive income	\$ 98,510	\$ 29,100	\$ (427)	\$ 352	\$(7,554)	\$(1,027)

(a) Amounts exclude related tax (benefit) expense of \$(21.6) million, \$4.4 million, and \$13.1 million, during 2011, 2010, and 2009, respectively, which are also included in other comprehensive income.

Net periodic benefit cost for Mattel's domestic defined benefit pension and postretirement benefit plans was calculated on January 1 of each year using the following assumptions:

	For the Year		
	2011	2010	2009
<i>Defined benefit pension plans:</i>			
Discount rate	5.2%	5.6%	5.4%
Weighted average rate of future compensation increases	3.8%	3.8%	3.8%
Long-term rate of return on plan assets	8.0%	8.0%	8.0%
<i>Postretirement benefit plans:</i>			
Discount rate	5.2%	5.6%	5.4%
Annual increase in Medicare Part B premium	6.0%	6.0%	6.0%
<i>Health care cost trend rate:</i>			
Pre-65	8.0%	6.0%	7.0%
Post-65	8.0%	8.0%	9.0%
Ultimate cost trend rate (pre- and post-65)	5.0%	5.0%	5.0%
<i>Year that the rate reaches the ultimate cost trend rate:</i>			
Pre-65	2017	2011	2011
Post-65	2017	2013	2013

Discount rates, weighted average rates of future compensation increases, and long-term rates of return on plan assets for Mattel's foreign defined benefit pension plans differ from the assumptions used for Mattel's domestic defined benefit pension plans due to differences in local economic conditions from which the non-US

Table of Contents

plans are based. The rates shown in the preceding table are indicative of the weighted average rates of all Mattel's defined benefit pension plans given the relative insignificance of the foreign plans to the consolidated total.

The estimated net actuarial loss and prior service cost for the domestic defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is \$13.2 million. The estimated net actuarial loss for the domestic postretirement benefit plans that will be amortized from accumulated other comprehensive loss into net period benefit cost over the next fiscal year is \$0.1 million.

Mattel used a measurement date of December 31, 2011 for its defined benefit pension plans and postretirement benefit plans. A summary of the changes in benefit obligation and plans assets is as follows:

	Defined Benefit Pension Plans		Postretirement Benefit Plans	
	2011	2010	2011	2010
	(In thousands)			
Change in Benefit Obligation:				
Benefit obligation, beginning of year	\$ 545,927	\$ 513,307	\$ 35,081	\$ 46,472
Service cost	13,610	12,441	73	76
Interest cost	28,433	27,934	1,576	1,820
Participant contributions	—	31	—	—
Impact of currency exchange rate changes	(1,785)	(3,518)	—	—
Actuarial loss (gain)	61,052	20,797	(1,297)	(9,460)
Benefits paid	(37,221)	(25,065)	(3,099)	(3,827)
Benefit obligation, end of year	<u>\$ 610,016</u>	<u>\$ 545,927</u>	<u>\$ 32,334</u>	<u>\$ 35,081</u>
Change in Plan Assets:				
Plan assets at fair value, beginning of year	\$ 316,795	\$ 296,828	\$ —	\$ —
Actual return on plan assets	5,182	31,831	—	—
Employer contributions	53,859	15,162	3,099	3,827
Participant contributions	—	31	—	—
Impact of currency exchange rate changes	(534)	(1,992)	—	—
Benefits paid	(37,221)	(25,065)	(3,099)	(3,827)
Plan assets at fair value, end of year	<u>\$ 338,081</u>	<u>\$ 316,795</u>	<u>\$ —</u>	<u>\$ —</u>
Net Amount Recognized in Consolidated Balance Sheets:				
Funded status, end of year	<u>\$(271,935)</u>	<u>\$(229,132)</u>	<u>\$(32,334)</u>	<u>\$(35,081)</u>
Current accrued benefit liability	(23,215)	(4,418)	(2,700)	(2,600)
Noncurrent accrued benefit liability	(248,720)	(224,714)	(29,634)	(32,481)
Total accrued benefit liability	<u>\$(271,935)</u>	<u>\$(229,132)</u>	<u>\$(32,334)</u>	<u>\$(35,081)</u>
Amounts recognized in Accumulated Other Comprehensive Loss (a):				
Net actuarial loss (gain)	\$ 273,691	\$ 211,004	\$ (1,106)	\$ 143
Prior service cost	138	1,912	—	—
	<u>\$ 273,829</u>	<u>\$ 212,916</u>	<u>\$ (1,106)</u>	<u>\$ 143</u>

(a) Amounts exclude related tax benefits of \$100.4 million and \$78.8 million for December 31, 2011 and 2010, respectively, which are also included in accumulated other comprehensive loss.

Table of Contents

The accumulated benefit obligation differs from the projected benefit obligation in that it assumes future compensation levels will remain unchanged. Mattel's accumulated benefit obligation for its defined benefit pension plans as of December 31, 2011 and 2010 totaled \$553.6 million and \$510.0 million, respectively.

The assumptions used in determining the projected and accumulated benefit obligations of Mattel's domestic defined benefit pension and postretirement benefit plans are as follows:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
<i>Defined benefit pension plans:</i>		
Discount rate	4.5%	5.2%
Weighted average rate of future compensation increases	3.8%	3.8%
<i>Postretirement benefit plans:</i>		
Discount rate	4.5%	5.2%
Annual increase in Medicare Part B premium	6.0%	6.0%
<i>Health care cost trend rate:</i>		
Pre-65	7.5%	8.0%
Post-65	7.5%	8.0%
Ultimate cost trend rate (pre- and post-65)	5.0%	5.0%
<i>Year that the rate reaches the ultimate cost trend rate:</i>		
Pre-65	2017	2017
Post-65	2017	2017

A one percentage point increase/(decrease) in the assumed health care cost trend rate for each future year would impact the postretirement benefit obligation as of December 31, 2011 by \$2.7 million and \$(2.4) million, respectively, while a one percentage point increase/(decrease) would impact the service and interest cost recognized for 2011 by \$0.1 million and \$(0.1) million, respectively.

The estimated future benefit payments for Mattel's defined benefit pension and postretirement benefit plans are as follows:

	<u>Defined Benefit</u>	<u>Postretirement</u>	<u>Benefit of</u>
	<u>Pension Plans</u>	<u>Benefit Plans</u> <u>Before Subsidy</u> <u>(In thousands)</u>	<u>Medicare Part D</u> <u>Subsidy</u>
2012	\$ 44,464	\$ 2,900	\$ (200)
2013	26,782	2,700	(200)
2014	27,398	2,700	(200)
2015	28,344	2,700	(200)
2016	29,456	2,700	(200)
2017 - 2021	168,950	12,500	(1,100)

Mattel expects to make cash contributions totaling approximately \$57 million to its defined benefit pension and postretirement benefit plans in 2012, which includes approximately \$27 million for benefit payments for its unfunded plans.

Mattel periodically commissions a study of the plans' assets and liabilities to determine an asset allocation that would best match expected cash flows from the plans' assets to expected benefit payments. Mattel monitors the returns earned by the plans' assets and reallocates investments as needed. Mattel's overall investment strategy is to achieve an adequately diversified asset allocation mix of investments that provides for both near-term benefit payments as well as long-term growth. The assets are invested in a combination of indexed and actively managed funds. The target allocations for Mattel's domestic plan assets, which comprise 80% of Mattel's total

Table of Contents

plan assets, are 35% in US equities, 35% in non-US equities, 20% in US long-term bonds, and 10% in US Treasury inflation protected securities. The US equities are benchmarked against the S&P 500 and the non-US equities are benchmarked against a combination of developed and emerging markets indexes. Fixed income securities are long-duration bonds intended to closely match the duration of the liabilities and include US government treasuries and agencies, corporate bonds from various industries, and mortgage-backed and asset-backed securities.

Mattel's defined benefit pension plan assets are measured and reported in the financial statements at fair value using inputs, which are more fully described in "Note 12 to the Consolidated Financial Statements—Fair Value Measurements," as follows:

	December 31, 2011			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Collective trust funds:				
US equity securities	\$ —	\$101,747	\$ —	\$101,747
International equity securities	—	101,956	—	101,956
International fixed income	—	36,128	—	36,128
US government and US government agency securities	—	51,897	—	51,897
US corporate debt instruments	—	19,346	—	19,346
International corporate debt instruments	—	5,887	—	5,887
Mutual funds	4,883	—	—	4,883
Other	—	16,237	—	16,237
Total	<u>\$4,883</u>	<u>\$333,198</u>	<u>\$ —</u>	<u>\$338,081</u>

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Collective trust funds:				
US equity securities	\$ —	\$ 97,885	\$ —	\$ 97,885
International equity securities	—	115,114	—	115,114
International fixed income	—	28,309	—	28,309
Short-term investments	—	1,452	—	1,452
US government and US government agency securities	—	37,718	—	37,718
US corporate debt instruments	—	16,301	—	16,301
International corporate debt instruments	—	5,005	—	5,005
Mutual funds	3,082	—	—	3,082
Other	—	11,929	—	11,929
Total	<u>\$3,082</u>	<u>\$313,713</u>	<u>\$ —</u>	<u>\$316,795</u>

The fair value of collective trust funds and mutual funds shares are determined based on the net asset value of shares held at year-end. The fair value of US government securities, US government agency securities, and corporate debt instruments are determined based on quoted market prices, or are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Mattel's defined benefit pension plan assets are not directly invested in Mattel common stock. Mattel believes that the long-term rate of return on plan assets of 8.0% as of December 31, 2011 is reasonable based on historical returns.

Table of Contents

During 1999, Mattel amended the Fisher-Price Pension Plan to convert it from a career-average plan to a cash balance plan and applied for a determination letter from the IRS. In 2003 and 2011, Mattel amended the Fisher-Price Pension Plan to reflect changes in regulations and court cases associated with cash balance plans and submitted applications for a determination letter to the IRS. Mattel received a favorable determination letter in February 2012 and plans to convert the Fisher-Price Pension Plan to a cash balance plan in 2012.

Defined Contribution Retirement Plans

Domestic employees are eligible to participate in a 401(k) savings plan, the Mattel, Inc. Personal Investment Plan (the “Plan”), sponsored by Mattel, which is a funded defined contribution plan intended to comply with ERISA’s requirements. Contributions to the Plan include voluntary contributions by eligible employees and employer automatic and matching contributions by Mattel. The Plan allows employees to allocate both their voluntary contributions and their employer automatic and matching contributions to a variety of investment funds, including a fund that is fully invested in Mattel common stock (the “Mattel Stock Fund”). Employees are not required to allocate any of their Plan account balance to the Mattel Stock Fund, which allows employees to limit or eliminate their exposure to market changes in Mattel’s stock price. Furthermore, the Plan limits the percentage of the employee’s total account balance that may be allocated to the Mattel Stock Fund to 25%. Employees may generally reallocate their account balances on a daily basis. However, pursuant to Mattel’s insider trading policy, employees classified as insiders and restricted personnel under Mattel’s insider trading policy are limited to certain periods in which they may make allocations into or out of the Mattel Stock Fund.

Certain non-US employees participate in other defined contribution retirement plans with varying vesting and contribution provisions.

Deferred Compensation and Excess Benefit Plans

Mattel maintains a deferred compensation plan that permits certain officers and key employees to elect to defer portions of their compensation. The deferred compensation plan, together with certain contributions made by Mattel and participating employees to an excess benefit plan, earns various rates of return. The liability for these plans as of December 31, 2011 and 2010 was \$51.6 million and \$48.3 million, respectively, and is included in other noncurrent liabilities in the consolidated balance sheets. Changes in the market value of the participant selected investment options are recorded as retirement plan expense within other selling and administrative expenses. Separately, Mattel has purchased group trust-owned life insurance contracts designed to assist in funding these programs. The cash surrender value of these policies, valued at \$65.9 million and \$64.5 million as of December 31, 2011 and 2010, respectively, are held in an irrevocable grantor trust, the assets of which are subject to the claims of Mattel’s creditors and are included in other noncurrent assets in the consolidated balance sheets.

Incentive Compensation Plans

Mattel has annual incentive compensation plans under which officers and key employees may earn incentive compensation based on Mattel’s performance and subject to certain approvals of the Compensation Committee of the Board of Directors. For 2011, 2010, and 2009, \$75.3 million, \$106.7 million, and \$96.6 million, respectively, was charged to expense for awards under these plans.

Mattel has had two long-term incentive program (“LTIP”) performance cycles in place for the time period between 2009 and 2011: (i) a January 1, 2008—December 31, 2010 performance cycle, which was established by the Compensation Committee of the Board of Directors in March 2008, and (ii) a January 1, 2011—December 31, 2013 performance cycle, which was established by the Compensation Committee of the Board of Directors in March 2011.

For the January 1, 2008—December 31, 2010 LTIP, Mattel granted performance restricted stock units (“RSUs”) under the Mattel, Inc. 2005 Equity Compensation Plan to officers and certain employees providing

Table of Contents

services to Mattel. Performance RSUs are units that may become payable in shares of Mattel's common stock at the end of the three-year performance cycle. The performance RSUs granted under this performance cycle were earned based on an initial target number with the final number of performance RSUs payable being determined based on the product of the initial target number of performance RSUs multiplied by a performance factor based on measurements of Mattel's performance with respect to: (i) annual operating result targets for each year in the performance period using a net operating profit after taxes less capital charge measure ("the 2008—2010 performance-related component"), and (ii) Mattel's total stockholder return ("TSR") for the three-year performance period relative to the TSR realized by companies comprising the S&P 500 as the first day of the performance cycle ("the 2008—2010 market-related component"). For the January 1, 2008—December 31, 2010 LTIP, 1.3 million shares were earned relating to the performance-related component and 0.7 million shares were earned relating to the market-related component, resulting in a total of 2.0 million shares that vested in February 2011.

For the January 1, 2008—December 31, 2010 LTIP, the weighted average grant date fair value of the performance-related and market-related components of the performance RSUs were \$22.02 and \$3.99 per share, respectively, for 2010, and \$10.36 and \$3.99 per share, respectively, for 2009. During 2010, \$17.7 million was charged to expense relating to the 2008—2010 performance-related component as the 2010 actual results exceeded the 2010 performance threshold. During 2009, \$3.4 million was charged to expense relating to the 2008—2010 performance-related component as the 2009 actual results exceeded the 2009 performance threshold. Additionally, during both 2010 and 2009, Mattel recognized share-based compensation expense of \$1.9 million for the market-related component.

For the January 1, 2011—December 31, 2013 LTIP, Mattel granted performance RSUs under the Mattel, Inc. 2010 Equity and Long-Term Compensation Plan to officers and certain employees providing services to Mattel. Performance RSUs granted under this program are earned based on an initial target number, adjusted for dividends declared during the three-year performance period, with the final number of performance RSUs payable being determined based on the product of the initial target number of performance RSUs multiplied by a performance factor based on measurements of Mattel's performance with respect to: (i) annual operating result targets for each year in the performance period using a net operating profit after taxes less capital charge measure and a net sales performance measure ("the 2011—2013 performance-related components"), and (ii) Mattel's TSR for the three-year performance period relative to the TSR realized by companies comprising the S&P 500 as the first day of the performance cycle ("the 2011—2013 market-related component"). For the 2011—2013 performance-related components, the range of possible outcomes is that between zero and 0.6 million shares that can be earned for each of the three years during the three-year performance period. For the 2011—2013 market-related component, the possible outcomes range from an upward adjustment of 0.9 million shares to a downward adjustment of 0.9 million shares to the results of the performance-related components over the three-year performance period.

For the January 1, 2011—December 31, 2013 LTIP, the weighted average grant date fair value of the performance-related and market-related components of the performance RSUs were \$24.67 and \$4.22 per share, respectively, for 2011. During 2011, \$7.1 million was charged to expense relating to the performance-related components as the 2011 actual results exceeded the 2011 performance threshold. Additionally, during 2011, Mattel recognized share-based compensation expense of \$1.2 million for the market-related component.

The fair value of the 2008—2010 performance-related component was based on the closing stock price of Mattel's common stock on the date of grant, reduced by the present value of estimated dividends to be paid during the performance period as the awards were not credited with dividend equivalents for actual dividends paid on Mattel's common stock. The fair value of the 2011—2013 performance-related components was based on the closing stock price of Mattel's common stock on the date of grant. The fair values of the market-related components were estimated at the grant date using a Monte Carlo valuation methodology. Share-based compensation is recognized as expense over the performance period using a straight-line expense attribution approach reduced for estimated forfeitures.

Table of Contents

Note 7—Seasonal Financing and Debt

Seasonal Financing

In November 2011, Mattel issued \$300.0 million of unsecured 2.50% senior notes (“2.50% Senior Notes”) due November 1, 2016 and \$300.0 million of unsecured 5.45% senior notes (“5.45% Senior Notes”) due November 1, 2041 (collectively, “2011 Senior Notes”). Interest on the 2011 Senior Notes is payable semi-annually on May 1 and November 1 of each year, beginning May 1, 2012. Mattel may redeem all or part of the 2.50% Senior Notes at any time or from time to time at its option, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to but excluding the redemption date, and (ii) a “make-whole” amount based on the yield of a comparable US Treasury security plus 25 basis points. Mattel may redeem all or part of the 5.45% Senior Notes at any time or from time to time at its option prior to May 1, 2041 (six months prior to the maturity date of the 5.45% Senior Notes), at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to but excluding the redemption date, and (ii) a “make-whole” amount based on the yield of a comparable US Treasury security plus 35 basis points. Mattel may redeem all or part of the 5.45% Senior Notes at any time or from time to time at its option on or after May 1, 2041 (six months prior to the maturity date for the 5.45% Senior Notes), at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to but excluding the redemption date.

In September 2010, Mattel issued \$250.0 million of unsecured 4.35% senior notes (“4.35% Senior Notes”) due October 1, 2020 and \$250.0 million of unsecured 6.20% senior notes (“6.20% Senior Notes”) due October 1, 2040 (collectively, “2010 Senior Notes”). Interest on the 2010 Senior Notes is payable semi-annually on October 1 and April 1 of each year. Mattel may redeem all or part of the 2010 Senior Notes at any time or from time to time at its option at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date, and (ii) a “make-whole” amount based on the yield of a comparable US Treasury security plus 25 basis points in respect of the 4.35% Senior Notes and 40 basis points in respect of the 6.20% Senior Notes.

Mattel maintains and periodically amends or replaces its domestic unsecured committed revolving credit facility (“Credit Facility”) with a commercial bank group that is used as a back-up facility 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 Credit Facility was amended and restated on March 8, 2011 to, among other things, (i) extend the maturity date of the Credit Facility to March 8, 2015, (ii) increase aggregate commitments under the Credit Facility to \$1.40 billion, with an “accordion feature,” which allows Mattel to increase the aggregate availability under the Credit Facility to \$1.60 billion under certain circumstances, (iii) decrease the applicable interest rate margins to a range of 0.25% to 1.50% above the applicable base rate for base rate loans, and 1.25% to 2.50% above the applicable London Interbank Borrowing Rate for Eurodollar rate loans, in each case depending on Mattel’s senior unsecured long-term debt rating, and (iv) decrease commitment fees to a range of 0.15% to 0.40% of the unused commitments under the Credit Facility.

The borrowing capacity of the amended Credit Facility is \$1.40 billion for four years, which exceeded the \$1.10 billion for one year remaining on the Credit Facility prior to the March 2011 amendment. The proportion of unamortized debt issuance costs from the prior Credit Facility renewal related to creditors involved in both the prior Credit Facility and amended Credit Facility, and borrowing costs incurred as a result of the amendment were deferred and will be amortized over the term of the amended Credit Facility.

In connection with the execution of the amendment of the Credit Facility, Mattel terminated its \$300.0 million domestic receivables sales facility, which was a sub-facility of Credit Facility.

Mattel is required to meet financial covenants at the end of each quarter and fiscal year, using the formulae specified in the Credit Facility agreement to calculate the ratios. Mattel was in compliance with such covenants at the end of each fiscal quarter and fiscal year in 2011. As of December 31, 2011, Mattel’s consolidated

Table of Contents

debt-to-EBITDA ratio, as calculated per the terms of the Credit Facility agreement, was 1.3 to 1 (compared to a maximum allowed of 3.0 to 1) and Mattel's interest coverage ratio was 16.0 to 1 (compared to a minimum required of 3.50 to 1).

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

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 2012.

To finance seasonal working capital requirements of certain foreign subsidiaries, Mattel avails itself of individual short-term credit lines with a number of banks. As of December 31, 2011, foreign credit lines totaled approximately \$187 million. Mattel expects to extend the majority of these credit lines throughout 2012.

During 2009, sales of receivables pursuant to the domestic receivables sales facility occurred periodically, generally quarterly. The receivables were sold by Mattel Sales Corp., Fisher-Price, Inc., and Mattel Direct Import, Inc. to Mattel Factoring, who then sold such receivables to the bank group at a slight discount, and Mattel acted as a servicer for such receivables. Mattel designated Mattel Sales Corp. and Fisher-Price, Inc. as sub-servicers, as permitted by the facility. Mattel's appointment as a servicer was subject to termination events that were customary for such transactions. The domestic receivables sales facility was also subject to conditions to funding, representations and warranties, undertakings and early termination events that were customary for transactions of this nature.

Mattel did not sell receivables pursuant to the domestic receivables facility in 2011 or 2010. Mattel's aggregate losses on receivables sold under the domestic and other trade receivables facilities were \$0.5 million, \$1.8 million, and \$7.4 million during 2011, 2010, and 2009, respectively.

The outstanding amounts of accounts receivable that have been sold under other factoring arrangements were \$25.9 million and \$60.6 million at December 31, 2011 and 2010, respectively. These amounts have been excluded from Mattel's consolidated balance sheets.

In May 2011, a major credit rating agency changed Mattel's long-term credit rating from BBB+ to A-, and maintained its short-term credit rating of F-2 and outlook at stable. In April 2011, another major credit rating agency changed Mattel's long-term credit rating from BBB to BBB+, and maintained its short-term credit rating of A-2 and outlook at stable. Additionally, in April 2011, a major credit rating agency changed Mattel's long-term credit rating from Baa2 to Baa1, and maintained its short-term credit rating of P-2 and outlook at stable.

Short-Term Borrowings

As of December 31, 2011, Mattel had foreign short-term bank loans outstanding of \$8.0 million. As of December 31, 2010, Mattel had no foreign short-term bank loans outstanding. As of December 31, 2011 and 2010, Mattel had no borrowings outstanding under the Credit Facility.

During 2011 and 2010, Mattel had average borrowings of \$15.9 million and \$2.6 million, respectively, under its foreign short-term bank loans, and \$599.7 million and \$196.9 million, respectively, under the Credit Facility and other short-term borrowings, to help finance its seasonal working capital requirements. The weighted average interest rate on foreign short-term bank loans during 2011 and 2010 was 11.4% and 3.4%, respectively. The weighted average interest rate on the Credit Facility and other short-term borrowings during both 2011 and 2010 was 0.4%.

Table of Contents

Long-Term Debt

Mattel's long-term debt consists of the following:

	December 31,	
	2011	2010
	(In thousands)	
Medium-term notes due July 2012 to November 2013	\$ 100,000	\$ 150,000
2006 Senior Notes	—	200,000
2008 Senior Notes due March 2013	350,000	350,000
2010 Senior Notes due October 2020 and October 2040	500,000	500,000
2011 Senior Notes due November 2016 and November 2041	600,000	—
	<u>1,550,000</u>	<u>1,200,000</u>
Less: current portion	<u>(50,000)</u>	<u>(250,000)</u>
Total long-term debt	<u>\$1,500,000</u>	<u>\$ 950,000</u>

Mattel's Medium-term notes bear interest at fixed rates ranging from 6.5% to 7.25%, with a weighted average interest rate of 6.89% and 6.99% as of December 31, 2011 and 2010, respectively.

Mattel's 2008 Senior Notes bear interest at a fixed rate of 5.625%.

During 2011, Mattel repaid the remaining \$200.0 million of its 2006 Senior Notes in connection with its scheduled maturity. During 2011 and 2010, Mattel repaid \$50.0 million of its Medium-term notes in connection with their maturities.

The aggregate amount of long-term debt maturing in the next five years and thereafter is as follows:

	Medium-Term Notes	2008 Senior Notes	2010 Senior Notes	2011 Senior Notes	Total
			(In thousands)		
2012	\$ 50,000	\$ —	\$ —	\$ —	\$ 50,000
2013	50,000	350,000	—	—	400,000
2014	—	—	—	—	—
2015	—	—	—	—	—
2016	—	—	—	300,000	300,000
Thereafter	—	—	500,000	300,000	800,000
	<u>\$100,000</u>	<u>\$350,000</u>	<u>\$500,000</u>	<u>\$600,000</u>	<u>\$1,550,000</u>

Note 8—Stockholders' Equity

Preference Stock

Mattel is authorized to issue up to 20.0 million shares of \$0.01 par value preference stock, of which none is currently outstanding.

Preferred Stock

Mattel is authorized to issue up to 3.0 million shares of \$1.00 par value preferred stock, of which none is currently outstanding.

Table of Contents

Common Stock Repurchase Program

During 2011, Mattel repurchased 20.4 million shares of its common stock at a cost of \$536.3 million. During 2010, Mattel repurchased 18.6 million shares of its common stock at a cost of \$446.7 million. During 2009, Mattel did not repurchase any shares of its common stock. During both 2011 and 2010, the Board of Directors authorized Mattel to increase its share repurchase program by \$500.0 million. At December 31, 2011, share repurchase authorizations of \$427.3 million had not been executed. Repurchases will take place from time to time, depending on market conditions. Mattel's share repurchase program has no expiration date.

Dividends

During 2011, 2010, and 2009, Mattel paid total dividends per share of \$0.92, \$0.83, and \$0.75, respectively, to holders of its common stock. During 2011, the Board of Directors declared the dividends on a quarterly basis, and Mattel paid the dividends during the quarter in which the dividends were declared. During 2010 and 2009, the Board of Directors declared the dividends annually in November of the respective years, and Mattel paid the dividends in December of the respective years. The payment of dividends on common stock is at the discretion of the Board of Directors and is subject to customary limitations.

Comprehensive Income

The changes in the components of comprehensive income, net of tax, are as follows:

	For the Year		
	2011	2010 (In thousands)	2009
Net income	\$768,508	\$684,863	\$528,704
Currency translation adjustments	(77,105)	883	52,210
Defined benefit pension plans, net prior service cost and net actuarial loss	(38,084)	7,703	18,696
Net unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses)	17,900	8,725	(29,602)
Reclassification adjustment for realized losses included in net income	9,843	3,024	9,797
	<u>27,743</u>	<u>11,749</u>	<u>(19,805)</u>
	<u>\$681,062</u>	<u>\$705,198</u>	<u>\$579,805</u>

For 2011, currency translation adjustments resulted in a net loss of \$77.1 million, with losses from the weakening of the Euro, Mexican peso, Brazilian real, and British pound sterling against the US dollar. For 2010, currency translation adjustments resulted in a net gain of \$0.9 million, with gains from the strengthening of the Mexican peso, Brazilian real, and Chilean peso against the US dollar, partially offset by the weakening of the Euro and British pound sterling against the US dollar. For 2009, currency translation adjustments resulted in a net gain of \$52.2 million, with gains from the strengthening of the Brazilian real, Euro, Chilean peso, and British pound sterling against the US dollar.

The components of accumulated other comprehensive loss are as follows:

	December 31,	
	2011	2010
Currency translation adjustments	\$(298,863)	\$(221,758)
Defined benefit pension and other postretirement plans, net of tax	(172,398)	(134,314)
Net unrealized gains (losses) on derivative instruments, net of tax	24,616	(3,127)
	<u>\$(446,645)</u>	<u>\$(359,199)</u>

Table of Contents

Note 9—Share-Based Payments

Mattel Stock Option Plans

In May 2010, Mattel's stockholders approved the Mattel, Inc. 2010 Equity and Long-Term Compensation Plan (the "2010 Plan"). Upon approval of the 2010 Plan, Mattel terminated its 2005 Equity Compensation Plan (the "2005 Plan"), except with respect to grants then outstanding under the 2005 Plan. Outstanding RSU awards made under the 2005 Plan continue to vest pursuant to the terms of their respective grant agreements. Outstanding stock option grants under the 2005 Plan that have not expired or have not been terminated continue to be exercisable under the terms of their respective grant agreements. The terms of the 2010 Plan are substantially similar to the 2005 Plan.

Under the 2010 Plan, Mattel has the ability to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, RSUs, dividend equivalent rights, performance awards, and shares of common stock to officers, employees, and other persons providing services to Mattel. Generally, options vest and become exercisable contingent upon the grantees' continued employment or service with Mattel. Nonqualified stock options are granted at not less than 100% of the fair market value of Mattel's common stock on the date of grant, expire no later than ten years from the date of grant, and vest on a schedule determined by the Compensation Committee of the Board of Directors, generally during a period of three years from the date of grant. In the event of a retirement of an employee aged 55 years or greater with 5 or more years of service, or the death or disability of an employee, that occurs in each case at least 6 months after the grant date, nonqualified stock options become fully vested. Similar provisions exist for non-employee directors. Time-vesting RSUs granted under the 2010 Plan are generally accompanied by dividend equivalent rights and generally vest over a period of three years from the date of grant. In the event of the involuntary termination of an employee aged 55 years or greater with 5 or more years of service, or the death or disability of an employee, that occurs at least 6 months after the grant date, RSUs become fully vested. The 2010 Plan also contains provisions regarding grants of equity compensation to the non-employee members of the Board of Directors. The 2010 Plan expires on March 25, 2020, except as to any grants then outstanding.

The number of shares of common stock available for grant under the 2010 Plan is subject to an aggregate limit of the sum of (i) 48 million shares, (ii) the number of shares that remained available for issuance under the 2005 Plan on May 12, 2010, and (iii) any shares subject to awards outstanding under the 2005 Plan that on or after May 12, 2010 are forfeited or otherwise terminate or expire without the issuance of shares to the holder of the award. The 2010 Plan is further subject to detailed share-counting rules. As a result of such share-counting rules, full-value grants such as grants of restricted stock or RSUs count against shares remaining available for grant at a higher rate than grants of stock options and stock appreciation rights. Each stock option or stock appreciation right grant is treated as using one available share for each share actually subject to such grant, whereas each restricted stock or RSU grant is treated as using three available shares for each share actually subject to such full-value grant. At December 31, 2011, there were approximately 38 million shares of common stock available for grant remaining under the 2010 Plan.

As of December 31, 2011, total unrecognized compensation cost related to unvested share-based payments totaled \$70.6 million and is expected to be recognized over a weighted-average period of 2.0 years.

Stock Options

Mattel recognized compensation expense of \$14.5 million, \$13.4 million, and \$13.0 million for stock options during 2011, 2010, and 2009, respectively, which is included within other selling and administrative expenses. Income tax benefits related to stock option compensation expense recognized in the consolidated statements of operations during 2011, 2010, and 2009 totaled \$4.8 million, \$4.3 million, and \$4.4 million, respectively.

The fair value of options granted has been estimated using the Black-Scholes valuation model. The expected life of the options used in this calculation is the period of time the options are expected to be outstanding, and has

Table of Contents

been determined based on historical exercise experience. Expected stock price volatility is based on the historical volatility of Mattel's stock for a period approximating the expected life, the expected dividend yield is based on Mattel's most recent actual annual dividend payout, and the risk-free interest rate is based on the implied yield available on US Treasury zero-coupon issues approximating the expected life. The weighted average grant date fair value of options granted during 2011, 2010, and 2009 was \$5.76, \$4.84, and \$3.71, respectively. The following weighted average assumptions were used in determining the fair value of options granted:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expected life (in years)	5.1	5.0	4.9
Risk-free interest rate	1.4%	1.7%	2.5%
Volatility factor	34.0%	34.3%	33.6%
Dividend yield	3.5%	3.5%	4.3%

The following is a summary of stock option information and weighted average exercise prices for Mattel's stock options:

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding at January 1	23,265	\$ 19.48	25,285	\$ 18.45	25,400	\$ 18.15
Granted	2,211	26.38	3,097	21.52	3,708	17.57
Exercised	(5,977)	19.34	(4,761)	15.41	(2,450)	12.61
Forfeited	(163)	20.50	(232)	19.29	(181)	20.11
Canceled	(37)	17.46	(124)	17.73	(1,192)	21.18
Outstanding at December 31	<u>19,299</u>	\$ 20.30	<u>23,265</u>	\$ 19.48	<u>25,285</u>	\$ 18.45
Exercisable at December 31	<u>14,359</u>	\$ 19.39	<u>16,630</u>	\$ 19.30	<u>18,601</u>	\$ 18.20

The intrinsic value of a stock option is the amount by which the current market value of the underlying stock exceeds the exercise price of an option. The total intrinsic value of options exercised during 2011, 2010, and 2009 was \$43.5 million, \$34.6 million, and \$12.4 million, respectively. At December 31, 2011, options outstanding had an intrinsic value of \$144.0 million, with a weighted average remaining life of 5.6 years. At December 31, 2011, options exercisable had an intrinsic value of \$120.3 million, with a weighted average remaining life of 4.4 years. At December 31, 2011, stock options vested or expected to vest totaled 18.8 million shares, with a total intrinsic value of \$140.8 million, weighted average exercise price of \$20.29, and weighted average remaining life of 5.5 years. During 2011, approximately 3 million stock options vested. The total grant date fair value of stock options vested during 2011, 2010, and 2009 was approximately \$14 million, \$12 million, and \$13 million, respectively.

Mattel uses treasury shares purchased under its share repurchase program to satisfy stock option exercises. Cash received from stock options exercised during 2011, 2010, and 2009 was \$115.6 million, \$73.4 million, and \$30.9 million, respectively.

Restricted Stock Units

RSUs are valued at the market value on the date of grant and the expense is evenly attributed to the periods in which the restrictions lapse, which is three years from the date of grant.

Compensation expense recognized related to grants of RSUs was \$30.7 million, \$34.2 million, and \$31.7 million in 2011, 2010, and 2009, respectively, and is included within other selling and administrative expenses.

Table of Contents

Income tax benefits related to RSU compensation expense recognized in the consolidated statements of operations during 2011, 2010, and 2009 totaled \$9.0 million, \$10.3 million, and \$9.5 million, respectively.

The following table summarizes the number and weighted average grant date fair value of Mattel's unvested RSUs during the year:

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Unvested at January 1	4,274	\$ 19.49	4,449	\$ 19.36	3,927	\$ 21.03
Granted	1,663	26.38	1,643	21.58	2,113	17.41
Vested	(1,740)	19.01	(1,598)	21.45	(1,408)	20.96
Forfeited	(465)	21.53	(220)	18.17	(183)	20.53
Unvested at December 31	<u>3,732</u>	<u>\$ 22.53</u>	<u>4,274</u>	<u>\$ 19.49</u>	<u>4,449</u>	<u>\$ 19.36</u>

At December 31, 2011, total RSUs expected to vest totaled 3.5 million shares, with a weighted average grant date fair value of \$22.55. The total grant date fair value of RSUs vested during 2011, 2010, and 2009 totaled \$33.1 million, \$34.3 million, and \$29.5 million, respectively.

In addition to the expense and share amounts described above, Mattel recognized compensation expense of \$8.3 million for performance RSUs granted in connection with its January 1, 2011–December 31, 2013 Long-Term Incentive Program, as more fully described in “Note 6 to the Consolidated Financial Statements—Employee Benefit Plans.” Mattel recognized compensation expense of \$19.6 million and \$5.3 million during 2010 and 2009, respectively, for performance RSUs granted in connection with its January 1, 2008–December 31, 2010 Long-Term Incentive Program, also more fully described in “Note 6 to the Consolidated Financial Statements—Employee Benefit Plans.” Income tax benefits related to performance RSU compensation expense recognized in the consolidated statements of operations during 2011, 2010, and 2009 totaled \$3.1 million, \$7.4 million, and \$2.0 million, respectively.

Note 10—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 RSUs are considered participating securities because they contain nonforfeitable rights to dividend equivalents.

Table of Contents

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 Year		
	2011	2010	2009
	(In thousands, except per share amounts)		
Basic:			
Net income	\$768,508	\$684,863	\$528,704
Less net income allocable to participating RSUs	(8,821)	(7,912)	(5,992)
Net income available for basic common shares	<u>\$759,687</u>	<u>\$676,951</u>	<u>\$522,712</u>
Weighted average common shares outstanding	<u>344,669</u>	<u>360,615</u>	<u>360,085</u>
Basic net income per common share	<u>\$ 2.20</u>	<u>\$ 1.88</u>	<u>\$ 1.45</u>
Diluted:			
Net income	\$768,508	\$684,863	\$528,704
Less net income allocable to participating RSUs	(8,765)	(7,863)	(5,981)
Net income available for diluted common shares	<u>\$759,743</u>	<u>\$677,000</u>	<u>\$522,723</u>
Weighted average common shares outstanding	344,669	360,615	360,085
Weighted average common equivalent shares arising from:			
Dilutive stock options and non-participating RSUs	<u>3,755</u>	<u>3,955</u>	<u>1,425</u>
Weighted average number of common and potential common shares	<u>348,424</u>	<u>364,570</u>	<u>361,510</u>
Diluted net income per common share	<u>\$ 2.18</u>	<u>\$ 1.86</u>	<u>\$ 1.45</u>

The calculation of potential common shares assumes the exercise of dilutive stock options and vesting of non-participating RSUs, net of assumed treasury share repurchases at average market prices. Nonqualified stock options totaling 1.0 million shares, 1.6 million shares, and 19.0 million shares were excluded from the calculation of diluted net income per common share for 2011, 2010, and 2009, respectively, because they were antidilutive.

Note 11—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 does not use hedge accounting for these contracts, and as such, changes in fair value are recorded in the period of change in the consolidated statements of operations. As of December 31, 2011 and 2010, Mattel held foreign currency forward exchange contracts with notional amounts of \$1.14 billion and \$1.05 billion, respectively.

Table of Contents

The following table presents Mattel's derivative assets and liabilities:

		Asset Derivatives	
Balance Sheet Classification		Fair Value	
		December 31,	December 31,
		2011	2010
(In thousands)			
Derivatives designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepaid expenses and other		
	current assets	\$ 29,043	\$ 8,200
Foreign currency forward exchange contracts	Other noncurrent assets	2,853	579
Total derivatives designated as hedging instruments		<u>\$ 31,896</u>	<u>\$ 8,779</u>
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepaid expenses and other		
	current assets	<u>\$ —</u>	<u>\$ 8,799</u>
Total		<u>\$ 31,896</u>	<u>\$ 17,578</u>
		Liability Derivatives	
Balance Sheet Classification		Fair Value	
		December 31,	December 31,
		2011	2010
(In thousands)			
Derivatives designated as hedging instruments:			
Foreign currency forward exchange contracts	Accrued liabilities	\$ 1,347	\$ 11,082
Foreign currency forward exchange contracts	Other noncurrent liabilities	35	101
Total derivatives designated as hedging instruments		<u>\$ 1,382</u>	<u>\$ 11,183</u>
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Accrued liabilities	\$ 2,930	\$ —
Total		<u>\$ 4,312</u>	<u>\$ 11,183</u>

Table of Contents

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

	For the Year Ended December 31, 2011		For the Year Ended December 31, 2010		Statements of Operations Classification
	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	
(In thousands)					
Derivatives designated as hedging instruments:					
Foreign currency forward exchange contracts	\$ 17,900	\$ (9,843)	\$ 8,725	\$ (3,024)	Cost of sales

The net losses of \$9.8 million and \$3.0 million reclassified from accumulated OCI to the consolidated statements of operations during 2011 and 2010, 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 Year Ended December 31, 2011	For the Year Ended December 31, 2010	
(In thousands)			
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	\$ 3,955	\$ (3,797)	Non-operating income/expense
Foreign currency forward exchange contracts	747	3,052	Cost of sales
Total	\$ 4,702	\$ (745)	

The net gain of \$4.7 million and net loss of \$0.7 million recognized in the consolidated statements of operations during 2011 and 2010, respectively, is offset by foreign currency transaction gains/losses on the related hedged balances.

Note 12—Fair Value Measurements

The following table presents information about Mattel's assets and liabilities measured and reported in the financial statements at fair value on a recurring basis as of December 31, 2011 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.

Table of Contents

Mattel's financial assets and liabilities include the following:

	December 31, 2011			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts (a)	\$ —	\$31,896	\$ —	\$31,896
Auction rate securities (b)	—	—	15,630	15,630
Total assets	<u>\$ —</u>	<u>\$31,896</u>	<u>\$15,630</u>	<u>\$47,526</u>
Liabilities:				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$ 4,312</u>	<u>\$ —</u>	<u>\$ 4,312</u>

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Assets:				
Foreign currency forward exchange contracts (a)	\$ —	\$17,578	\$ —	\$17,578
Auction rate securities (b)	—	—	21,000	21,000
Total assets	<u>\$ —</u>	<u>\$17,578</u>	<u>\$21,000</u>	<u>\$38,578</u>
Liabilities:				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$11,183</u>	<u>\$ —</u>	<u>\$11,183</u>

- (a) *The fair value of the foreign currency forward exchange contracts is based on dealer quotes of market forward rates and reflects the amount that Mattel would receive or pay at their maturity dates for contracts involving the same notional amounts, currencies, and maturity dates.*
- (b) *The fair value of the auction rate securities is estimated using a discounted cash flow model based on (i) estimated interest rates, timing, and amount of cash flows, (ii) credit spreads, recovery rates, and credit quality of the underlying securities, and (iii) illiquidity considerations.*

The following table presents information about Mattel's assets measured and reported at fair value on a recurring basis using significant Level 3 inputs:

	Level 3 (In thousands)
Balance at December 31, 2009	\$ —
Transfers to Level 3	21,000
Balance at December 31, 2010	21,000
Unrealized losses	(5,370)
Balance at December 31, 2011	<u>\$ 15,630</u>

During 2010, Mattel adopted ASU 2010-11, *Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*, and elected the fair value option under this standard, which resulted in an \$8.7 million, net of tax, adjustment to beginning retained earnings relating to auction rate securities that contain embedded credit derivatives, that were previously reported at amortized cost. The unrealized losses recognized during 2011 relating to these auction rate securities are reflected within other non-operating expense in the consolidated statements of operations.

Table of Contents

Non-Recurring Fair Value Measurements

Mattel tests its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable or that the carrying value may exceed its fair value. During 2010, the right to license a certain product line was not renewed resulting in a reduction of its estimated useful life. As a result, Mattel recognized an impairment charge of approximately \$8 million, which reduced the value of the intangible asset to approximately \$1 million. This intangible asset was fully amortized by the end of 2010. In addition, certain leasehold improvements were fully impaired during 2010, resulting in an impairment charge of approximately \$8 million.

During 2009, Mattel fully impaired certain intangible assets relating to product lines that were discontinued, resulting in an impairment charge of approximately \$4 million. In addition, during 2009, Mattel recognized an impairment charge of approximately \$6 million related to a nonamortizable intangible asset, which reduced the value of the intangible asset to approximately \$9 million.

These impairment charges are reflected within other selling and administrative expenses in the consolidated statements of operations. The estimated fair values of the long-lived assets described above were based on discounted cash flow analyses using Level 3 inputs.

During 2011, 2010, and 2009, Mattel did not have any other assets or liabilities measured and reported at fair value on a non-recurring basis in periods subsequent to initial recognition.

Other Financial Instruments

Mattel's financial instruments include cash and equivalents, accounts receivable and payable, short-term borrowings, and accrued liabilities. The carrying value of these instruments approximates fair value because of their short-term nature.

The estimated fair value of Mattel's long-term debt, including the current portion, is \$1.63 billion (compared to a carrying value of \$1.55 billion) as of December 31, 2011 and \$1.23 billion (compared to a carrying value of \$1.20 billion) as of December 31, 2010. The estimated fair value has been calculated based on broker quotes or rates for the same or similar instruments.

Table of Contents

Note 13—Commitments and Contingencies

Leases

Mattel routinely enters into noncancelable lease agreements for premises and equipment used in the normal course of business. Certain of these leases include escalation clauses that adjust rental expense to reflect changes in price indices, as well as renewal options. In addition to minimum rental payments, certain of Mattel's leases require additional payments to reimburse the lessors for operating expenses such as real estate taxes, maintenance, utilities, and insurance. Rental expense is recorded on a straight-line basis, including escalating minimum payments. The American Girl Place® leases in Chicago, Illinois, New York, New York, and Los Angeles, California and American Girl® store leases in Dallas, Texas, Alpharetta, Georgia, Natick, Massachusetts, Bloomington, Minnesota, Lone Tree, Colorado, Overland Park, Kansas, McLean, Virginia, Lynnwood, Washington, and Chesterfield, Missouri also contain provisions for additional rental payments based on a percentage of the sales of each store after reaching certain sales benchmarks. Contingent rental expense is recorded in the period in which the contingent event becomes probable. During 2011, 2010, and 2009, contingent rental expense was not material. The following table shows the future minimum obligations under lease commitments in effect at December 31, 2011:

	Capitalized Leases	Operating Leases
	(In thousands)	
2012	\$ 294	\$ 85,950
2013	294	70,941
2014	294	57,269
2015	294	48,850
2016	294	45,914
Thereafter	910	163,849
	<u>\$ 2,380(a)</u>	<u>\$472,773</u>

(a) Includes \$0.6 million of imputed interest.

Rental expense under operating leases amounted to \$113.3 million, \$117.8 million, and \$121.9 million for 2011, 2010, and 2009, respectively, net of sublease income of \$0.9 million, \$0.5 million, and \$0.1 million in 2011, 2010, and 2009, respectively.

Commitments

In the normal course of business, Mattel enters into contractual arrangements to obtain and protect Mattel's right to create and market certain products, and for future purchases of goods and services to ensure availability and timely delivery. Such arrangements include royalty payments pursuant to licensing agreements and commitments primarily for future inventory purchases. Certain of these commitments routinely contain provisions for guarantees or minimum expenditures during the term of the contracts. Current and future commitments for guaranteed payments reflect Mattel's focus on expanding its product lines through alliances with businesses in other industries.

Table of Contents

Licensing and similar agreements in effect at December 31, 2011 contain provisions for future minimum payments as shown in the following table:

	Licensing and Similar Agreements (In thousands)
2012	\$ 55,170
2013	100,000
2014	83,943
2015	60,937
2016	13,704
Thereafter	254
	<u>\$ 314,008</u>

Royalty expense for 2011, 2010, and 2009 was \$262.4 million, \$245.9 million, and \$188.5 million, respectively.

The following table shows the future minimum obligations for purchases of inventory, other assets, and services at December 31, 2011:

	Other Purchase Obligations (In thousands)
2012	\$ 356,117
2013	16,766
2014	15,480
2015	13,983
2016	3,336
	<u>\$ 405,682</u>

Insurance

Mattel has a wholly owned subsidiary, Far West Insurance Company, Ltd. ("Far West"), that was established to insure Mattel's workers' compensation, general, automobile, product liability, and foreign property risks. Far West insures the first \$1.0 million per occurrence for workers' compensation risks, the first \$0.5 million for general and automobile liability risks, the first \$2.0 million per occurrence and \$2.0 million per year for product liability risks, and \$0.5 million per occurrence for foreign property risks. Various insurance companies, that have an "A" or better AM Best rating at the time the policies are purchased, reinsure Mattel's risk in excess of the amounts insured by Far West. Mattel's liability for reported and incurred but not reported claims at December 31, 2011 and 2010 totaled \$16.3 million and \$16.9 million, respectively, and is included in other noncurrent liabilities. Loss reserves are accrued based on Mattel's estimate of the aggregate liability for claims incurred.

Table of Contents

Litigation

With regards to the claims against Mattel described below, Mattel intends to defend itself vigorously. Management cannot reasonably determine the scope or amount of possible liabilities that could result from an unfavorable settlement or resolution of these claims, and no reserves for these claims have been established as of December 31, 2011. However, it is possible that an unfavorable resolution of these claims could have a material adverse effect on Mattel's financial condition and results of operations, and there can be no assurance that Mattel will be able to achieve a favorable settlement or resolution of these claims.

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.

In November 2006, Mattel asked the Court for leave to file an Amended Complaint that included not only additional claims against Bryant, but also included claims for copyright infringement, 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 CEO 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. On January 12, 2007, the Court granted Mattel leave to file these claims as counterclaims in the consolidated cases, which Mattel did that same day.

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

Table of Contents

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, which began on May 27, 2008, 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 the effect of the December 3, 2008 injunctive orders until further order of the Court and entered a further specified stay of the injunctive orders on January 7, 2009.

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, except to the extent specified by the Court's January 7, 2009 modification.

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. The Ninth Circuit opinion vacating the relief ordered by the District Court was issued on July 22, 2010. 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

Table of Contents

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. 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 totals approximately \$310 million in favor of MGA.

Mattel has appealed the judgment, and expects to file its opening appeal brief by February 27, 2012. Mattel does not believe that it is probable that any of the damages awarded to MGA will be sustained based on the evidence presented at trial and, accordingly, a liability has not been accrued for this matter.

In February 2011, MGA commenced litigation in the United States District Court for the Central District of California alleging that Mattel's conduct in response to MGA's sale of Bratz violated both a federal antitrust statute and the California Business & Professions Code, and constituted abuse of process under California law. On October 20, 2011, the Court granted Mattel's motion to dismiss MGA's claims on the grounds, among others, that they are barred by the doctrine of res judicata and should have been brought in the prior proceeding. The Court gave MGA leave to file an amended complaint in compliance with its Order.

On November 10, 2011, MGA filed a first amended complaint which included a single claim for alleged violations of a federal antitrust statute. Mattel has filed a motion to dismiss MGA's amended complaint, on the grounds, among others, that it continues to be barred by the doctrine of res judicata. Mattel believes this complaint is without merit and intends to vigorously defend against it.

Table of Contents

Note 14—Segment Information

Description of Segments

Mattel's operating segments are separately managed business units and are divided on a geographic basis between domestic and international. Mattel's domestic operating segments include:

Mattel Girls & Boys Brands —including Barbie[®] fashion dolls and accessories (“Barbie[®]”), Polly Pocket[®], Little Mommy[®], Disney Classics[®], and Monster High[®] (collectively “Other Girls Brands”), Hot Wheels[®], Matchbox[®], and Tyco R/C[®] vehicles and play sets (collectively “Wheels”), and CARS[®], Radica[®], Toy Story[®], Max Steel[®], WWE[®] Wrestling, and Batman[®], and games and puzzles (collectively “Entertainment”).

Fisher-Price Brands —including Fisher-Price[®], Little People[®], BabyGear[™], Imaginext[®] and View-Master[®] (collectively “Core Fisher-Price[®]”), Dora the Explorer[®], Go Diego Go![®], Thomas and Friends[®], Mickey Mouse[®] Clubhouse, Sing-a-ma-jigs[®], and See ‘N Say[®] (collectively “Fisher-Price[®] Friends”), and Power Wheels[®].

American Girl Brands —including My American Girl[®], the historical collection, and Bitty Baby[®]. American Girl Brands products are sold directly to consumers via its catalogue, website, and proprietary retail stores. Its children's publications are also sold to certain retailers.

Additionally, the International segment sells products in all toy categories, except American Girl Brands.

Table of Contents

Segment Data

The following tables present information about revenues, income, and assets by segment. Mattel does not include sales adjustments such as trade discounts and other allowances in the calculation of segment revenues (referred to as “gross sales”). Mattel records these adjustments in its financial accounting systems at the time of sale to each customer, but the adjustments are not allocated to 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 from operations represents operating income, while consolidated income from operations represents income from operations before income taxes as reported in the consolidated statements of operations. The corporate and other 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 rates on intercompany transactions.

	For the Year		
	2011	2010 (In thousands)	2009
Revenues			
Domestic:			
Mattel Girls & Boys Brands US	\$1,775,954	\$1,626,407	\$1,402,224
Fisher-Price Brands US	1,293,780	1,352,729	1,310,886
American Girl Brands	510,936	486,644	462,899
Total Domestic	3,580,670	3,465,780	3,176,009
International	3,260,417	2,920,830	2,758,315
Gross sales	6,841,087	6,386,610	5,934,324
Sales adjustments	(575,050)	(530,415)	(503,478)
Net sales	<u>\$6,266,037</u>	<u>\$5,856,195</u>	<u>\$5,430,846</u>
Segment Income			
Domestic:			
Mattel Girls & Boys Brands US	\$ 483,530	\$ 409,445	\$ 293,366
Fisher-Price Brands US	161,652	222,046	231,855
American Girl Brands	113,058	112,923	103,446
Total Domestic	758,240	744,414	628,667
International	619,278	531,003	422,505
	1,377,518	1,275,417	1,051,172
Corporate and other expense (a)	(336,417)	(373,515)	(320,004)
Operating income	1,041,101	901,902	731,168
Interest expense	75,332	64,839	71,843
Interest (income)	(8,093)	(8,434)	(8,083)
Other non-operating expense (income), net	3,189	(1,328)	7,361
Income before income taxes	<u>\$ 970,673</u>	<u>\$ 846,825</u>	<u>\$ 660,047</u>

(a) Corporate and other expense includes (i) incentive compensation expense of \$75.3 million, \$106.7 million, and \$96.6 million for 2011, 2010, and 2009, respectively, (ii) \$14.9 million, \$21.0 million, and \$31.5 million of charges related to severance and other termination-related costs for 2011, 2010, and 2009, respectively, (iii) share-based compensation expense of \$53.5 million, \$67.1 million, and \$50.0 million for 2011, 2010, and 2009, respectively, (iv) charges to establish a legal settlement reserve for product liability-related litigation totaling \$27.4 million for 2009, a reduction to the legal settlement reserve of \$8.7 million for 2010, and benefits from insurance recoveries of costs incurred in connection with product liability-related

Table of Contents

litigation of \$4.8 million and \$6.0 million for 2010 and 2009, respectively, (v) legal fees associated with the product recall-related litigation, (vi) \$7.5 million Gunther-Wahl Productions legal settlement for 2011, and (vii) legal fees associated with MGA litigation matters.

	For the Year		
	2011	2010	2009
	(In thousands)		
Depreciation/Amortization			
Domestic:			
Mattel Girls & Boys Brands US	\$ 38,083	\$ 38,978	\$ 38,804
Fisher-Price Brands US	27,313	26,653	27,632
American Girl Brands	15,011	13,182	13,032
Total Domestic	80,407	78,813	79,468
International	64,306	64,998	64,908
	144,713	143,811	144,376
Corporate and other	16,585	21,997	25,454
Depreciation and amortization	<u>\$161,298</u>	<u>\$165,808</u>	<u>\$169,830</u>

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

	December 31,	
	2011	2010
	(In thousands)	
Assets		
Domestic:		
Mattel Girls & Boys Brands US	\$ 384,439	\$ 380,998
Fisher-Price Brands US	308,894	322,134
American Girl Brands	72,606	67,435
Total Domestic	765,939	770,567
International	861,741	779,875
	1,627,680	1,550,442
Corporate and other	106,007	59,502
Accounts receivable and inventories, net	<u>\$1,733,687</u>	<u>\$1,609,944</u>

Mattel sells a broad variety of toy products, which are grouped into three major categories: Mattel Girls & Boys Brands, Fisher-Price Brands, and American Girl Brands. The table below presents worldwide revenues by category:

	For the Year		
	2011	2010	2009
	(In thousands)		
Worldwide Revenues			
Mattel Girls & Boys Brands	\$4,152,048	\$3,660,547	\$3,286,335
Fisher-Price Brands	2,159,178	2,220,499	2,168,161
American Girl Brands	510,936	486,644	462,899
Other	18,925	18,920	16,929
Gross sales	6,841,087	6,386,610	5,934,324
Sales adjustments	(575,050)	(530,415)	(503,478)
Net sales	<u>\$6,266,037</u>	<u>\$5,856,195</u>	<u>\$5,430,846</u>

Table of Contents

Geographic Information

The tables below present information by geographic area. Revenues are attributed to countries based on location of customer. Long-lived assets principally include goodwill, property, plant, and equipment, net, and identifiable intangibles, net.

	For the Year		
	2011	2010	2009
(In thousands)			
Revenues			
United States	\$3,580,670	\$3,465,780	\$3,176,009
International:			
Europe	1,656,684	1,508,356	1,442,473
Latin America	991,435	867,557	860,492
Asia Pacific	384,150	333,273	271,310
Other	228,148	211,644	184,040
Total International	<u>3,260,417</u>	<u>2,920,830</u>	<u>2,758,315</u>
Gross sales	6,841,087	6,386,610	5,934,324
Sales adjustments	(575,050)	(530,415)	(503,478)
Net sales	<u>\$6,266,037</u>	<u>\$5,856,195</u>	<u>\$5,430,846</u>
		December 31,	
		2011	2010
		(In thousands)	
Long-Lived Assets			
United States		\$1,050,229	\$1,035,813
International		703,870	677,990
Consolidated total		<u>\$1,754,099</u>	<u>\$1,713,803</u>

Major Customers

Sales to Mattel's three largest customers accounted for 38%, 41%, and 40% of worldwide consolidated net sales for 2011, 2010, and 2009, respectively, as follows:

	For the Year		
	2011	2010	2009
(In billions)			
Wal-Mart	\$1.2	\$1.1	\$1.0
Toys "R" Us	0.7	0.8	0.7
Target	0.5	0.5	0.5

The Mattel Girls & Boys Brands US and Fisher-Price Brands US segments sell products to each of Mattel's three largest customers. The International segment sells products to Wal-Mart and Toys "R" Us. The American Girl Brands segment sells its children's publications to Wal-Mart and Target.

2012 Changes to Segments

As part of Mattel's Operational Excellence 2.0 program, effective January 2012, Mattel has modified its organizational structure, which will result in changes to its operating segments. The new operating segments are: (i) North America, which will include Mattel Girls & Boys Brands US, Fisher-Price Brands US, and Canada, (ii) American Girl, and (iii) International.

Table of Contents

Note 15—Supplemental Financial Information

	December 31,		
	2011	2010	
(In thousands)			
Inventories include the following:			
Raw materials and work in process	\$ 88,489	\$ 68,095	
Finished goods	398,511	395,743	
	<u>\$ 487,000</u>	<u>\$ 463,838</u>	
Property, plant, and equipment, net include the following:			
Land	\$ 26,616	\$ 26,796	
Buildings	262,537	249,542	
Machinery and equipment	851,833	809,723	
Tools, dies, and molds	633,818	589,156	
Capital leases	23,271	23,271	
Leasehold improvements	187,545	177,141	
	1,985,620	1,875,629	
Less: accumulated depreciation	(1,461,679)	(1,390,924)	
	<u>\$ 523,941</u>	<u>\$ 484,705</u>	
Other noncurrent assets include the following:			
Deferred income taxes	\$ 473,832	\$ 477,320	
Nonamortizable identifiable intangibles	122,223	122,223	
Identifiable intangibles (net of amortization of \$55.5 million and \$64.2 million at December 31, 2011 and 2010, respectively)	84,486	91,359	
Other	201,310	191,509	
	<u>\$ 881,851</u>	<u>\$ 882,411</u>	
Accrued liabilities include the following:			
Royalties	\$ 85,637	\$ 95,785	
Incentive compensation	77,915	107,541	
Advertising and promotion	75,508	59,586	
Taxes other than income taxes	59,861	68,686	
Other	319,880	310,613	
	<u>\$ 618,801</u>	<u>\$ 642,211</u>	
Other noncurrent liabilities include the following:			
Benefit plan liabilities	\$ 278,354	\$ 257,195	
Noncurrent tax liabilities	103,938	113,526	
Other	139,815	118,146	
	<u>\$ 522,107</u>	<u>\$ 488,867</u>	
	For the Year		
	2011	2010	
(In thousands)			
Currency transaction gains/(losses) included in:			
Operating income	\$ 34,299	\$ 39,376	\$ 78,732
Other non-operating expense, net	(1,848)	(2,972)	(4,828)
Net transaction gains	<u>\$ 32,451</u>	<u>\$ 36,404</u>	<u>\$ 73,904</u>
Other selling and administrative expenses include the following:			
Design and development	\$178,982	\$173,927	\$171,279
Identifiable intangible asset amortization	8,880	10,362	13,027
Bad debt expense	6,160	4,464	21,483

Table of Contents

Note 16—Quarterly Financial Information (Unaudited)

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	(In thousands, except per share amounts)			
Year Ended December 31, 2011:				
Net sales	\$951,856	\$1,161,667	\$1,998,760	\$2,153,754
Gross profit	473,147	556,241	956,074	1,160,364
Advertising and promotion expenses	101,849	116,167	219,864	261,367
Other selling and administrative expenses	334,540	330,807	338,640	401,491
Operating income	36,758	109,267	397,570	497,506
Income before income taxes	21,261	94,888	385,671	468,853
Net income (a)	16,607	80,529	300,795	370,577
Net income per common share—basic	\$ 0.05	\$ 0.23	\$ 0.87	\$ 1.08
Weighted average number of common shares	349,072	347,133	343,191	339,386
Net income per common share—diluted	\$ 0.05	\$ 0.23	\$ 0.86	\$ 1.07
Weighted average number of common and potential common shares	352,707	350,944	346,792	343,492
Dividends declared per common share	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23
Common stock market price:				
High	\$ 25.85	\$ 27.49	\$ 28.00	\$ 29.19
Low	23.51	25.23	22.94	25.07
Year Ended December 31, 2010:				
Net sales	\$880,082	\$1,018,503	\$1,833,056	\$2,124,554
Gross profit	431,852	489,616	937,531	1,095,974
Advertising and promotion expenses	94,169	101,850	201,636	249,615
Other selling and administrative expenses	292,456	318,330	377,264	417,751
Operating income	45,227	69,436	358,631	428,608
Income before income taxes	33,282	62,077	346,619	404,847
Net income (a)	24,842	51,575	283,262	325,184
Net income per common share—basic	\$ 0.07	\$ 0.14	\$ 0.78	\$ 0.90
Weighted average number of common shares	363,231	362,819	360,608	355,699
Net income per common share—diluted	\$ 0.07	\$ 0.14	\$ 0.77	\$ 0.89
Weighted average number of common and potential common shares	366,144	365,851	363,483	360,636
Dividends declared per common share	\$ —	\$ —	\$ —	\$ 0.83
Common stock market price:				
High	\$ 23.27	\$ 23.96	\$ 23.76	\$ 26.23
Low	19.35	20.40	20.66	22.33

(a) Net income for the second quarter of 2011 included net tax benefits of \$6.4 million, primarily related to reassessments of prior years' tax liabilities based on the status of current audits and tax filings in various jurisdictions around the world, settlements, and enacted tax law changes. Net income for the third quarter of 2010 included net tax benefits of \$16.8 million, primarily related to the release of a valuation allowance related to the anticipated utilization of excess foreign tax credit carryforwards, 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, partially offset by the incremental tax cost to repatriate earnings from certain foreign subsidiaries for which income taxes had not been previously provided.

Table of Contents

Note 17—Subsequent Events

On January 31, 2012, Mattel announced that the Board of Directors declared a first quarter dividend of \$0.31 per common share. The dividend is payable on March 9, 2012 to stockholders of record on February 23, 2012.

On February 1, 2012, Mattel completed its acquisition of Helium Holdings 1A Ltd, a private limited company existing under the laws of Jersey (“HIT Entertainment”), pursuant to the Stock Purchase Agreement dated as of October 23, 2011, between the Company’s wholly owned subsidiary, Mattel Entertainment Holdings Limited, a private limited company existing under the laws of England and Wales (the “Purchasing Sub”), HIT Entertainment’s parent company, HIT Entertainment Scottish Limited Partnership, a limited partnership existing under the laws of Scotland and majority owned by a consortium of funds led by Apax Partners, LLP and its affiliates (the “Selling Stockholder”) and, with respect to certain provisions thereof, the Company (the “Purchase Agreement”).

Pursuant to the terms set forth in the Purchase Agreement, the Company indirectly acquired, through the Purchasing Sub, 100% of the issued and outstanding shares of HIT Entertainment from the Selling Stockholder for \$680.0 million subject to customary adjustments.

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of December 31, 2011, Mattel's disclosure controls and procedures were evaluated to provide 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, as appropriate, in a timely manner that would alert them to material information relating to Mattel that would be required to be included in Mattel's periodic reports and to provide reasonable assurance that such information was recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Based on this evaluation, Bryan G. Stockton, 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 December 31, 2011.

Management's Report on Internal Control over Financial Reporting

The report called for by Item 308(a) of Regulation S-K is incorporated by reference to Management's Report on Internal Control over Financial Reporting, included in Part II, Item 8. "Financial Statements and Supplementary Data" of this report.

Report of Independent Registered Public Accounting Firm

The report called for by Item 308(b) of Regulation S-K is incorporated by reference to Report of Independent Registered Public Accounting Firm, included in Part II, "Item 8. Financial Statements and Supplementary Data" of this report.

Changes in Internal Control Over Financial Reporting

Mattel continues to implement a conversion to new and upgraded financial and human resources information technology systems that began in the fourth quarter of 2002. Mattel has evaluated the effect on its internal control over financial reporting of this conversion for the three months ended December 31, 2011, and determined that this conversion has not materially affected, and is not reasonably likely to materially affect, Mattel's internal control over financial reporting. Mattel has not made any significant changes to its internal control over financial reporting or in other factors that could significantly affect these controls subsequent to December 31, 2011.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under this Item is incorporated herein by reference to sections entitled “Proposal 1—Election of Directors”; “Section 16(a) Beneficial Ownership Reporting Compliance”; “The Board of Directors and Corporate Governance—Board Committees—Audit Committee”; and “Report of the Audit Committee” in the Mattel 2012 Notice of Annual Meeting of Stockholders and Proxy Statement to be filed with the SEC within 120 days after December 31, 2011 (the “Proxy Statement”). Information with respect to the executive officers of Mattel appears under the heading “Executive Officers of the Registrant” in Part I herein. Mattel has adopted the Mattel Code of Conduct (the “Code of Conduct”), which satisfies the listing rules of the NASDAQ Stock Market (“NASDAQ”) regarding “code of business conduct and ethics” and satisfies the SEC rules regarding disclosure of a “code of ethics” for the Chief Executive Officer, Chief Financial Officer and Controller. The Code of Conduct is publicly available on Mattel’s corporate website at <http://corporate.mattel.com>, and the text of the Code of Conduct will be updated on the website to reflect any amendment. A copy may also be obtained free of charge by mailing a request in writing to: Secretary, Mail Stop M1-1516, Mattel, Inc., 333 Continental Blvd., El Segundo, CA 90245-5012. If Mattel grants any waiver from a provision of the Code of Conduct for any executive officer or director, or makes any substantive amendment to the SEC-mandated “code of ethics” that applies to the Chief Executive Officer, Chief Financial Officer or Controller, Mattel will make disclosures to the extent required by applicable laws, regulations and stock exchange listing standards on its corporate website or in a Current Report on Form 8-K. Mattel has posted the Board of Directors’ corporate governance guidelines and the charters of its Audit, Compensation and Governance and Social Responsibility Committees of the Board of Directors on its corporate website at <http://corporate.mattel.com>. Copies of the corporate governance guidelines and committee charters may be obtained free of charge by mailing a request to the address noted above.

Mattel has filed the Sarbanes-Oxley Act Section 302 certifications of its Chief Executive Officer and Chief Financial Officer as Exhibit 31.0 and Exhibit 31.1 hereto, respectively.

Item 11. Executive Compensation.

The information required under this Item is incorporated herein by reference to sections entitled “Compensation Disclosure” and “The Board of Directors and Corporate Governance—Board Committees—Compensation Committee” in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required under this Item is incorporated herein by reference to sections entitled “Principal Stockholders”; “Security Ownership of Management”; and “Compensation Disclosure—Equity Compensation Plan Information” in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required under this Item is incorporated herein by reference to sections entitled “Certain Transactions with Related Persons” and “The Board of Directors and Corporate Governance—Director Independence” in the Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required under this Item is incorporated herein by reference to the section entitled “Proposal 4—Ratification of Selection of Independent Registered Public Accounting Firm” in the Proxy Statement.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. *Financial Statements*

The following financial statements are filed as part of this report under Item 8 “Financial Statements and Supplementary Data.”

	<u>Page</u>
Management’s Report on Internal Control over Financial Reporting	52
Report of Independent Registered Public Accounting Firm	53
Consolidated Balance Sheets as of December 31, 2011 and 2010	54
Consolidated Statements of Operations for the years ended December 31, 2011, 2010, and 2009	55
Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010, and 2009	56
Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2011, 2010, and 2009	57
Notes to Consolidated Financial Statements	58

2. *Financial Statement Schedules for the years ended December 31, 2011, 2010 and 2009*

Schedule II—Valuation and Qualifying Accounts and Allowances

All other Financial Statement Schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto. See Item 8 “Financial Statements and Supplementary Data.”

3. *Exhibits (Listed by numbers corresponding to Item 601 of Regulation S-K)*

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			
		<u>Form</u>	<u>File No.</u>	<u>Exhibit (s)</u>	<u>Filing Date</u>
2.0	Stock Purchase Agreement, dated as of October 23, 2011, by and among Mattel Entertainment Holdings Limited, Helium Holdings 1A Ltd, HIT Entertainment Scottish Limited Partnership, and solely with respect to <u>Section 11.12</u> , Mattel, Inc. Mattel has omitted from Exhibit 2.0 schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K, and agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request	8-K	001-05647	2.1	October 24, 2011
3.0	Restated Certificate of Incorporation of Mattel	8-K	001-05647	99.0	May 21, 2007
3.1	Amended and Restated Bylaws of Mattel	10-Q	001-05647	3.1	July 20, 2011
4.0	Specimen Stock Certificate with respect to Mattel’s Common Stock	10-Q	001-05647	4.0	August 3, 2007
4.1	Indenture, dated as of February 15, 1996, between Mattel and Chase Manhattan Bank and Trust Company, National Association, formerly Chemical Trust Company of California, as Trustee	10-K	001-05647	4.1	March 28, 2002

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
4.2	Indenture, dated as of February 15, 1996, between Mattel and Chemical Trust Company of California (now known as J. P. Morgan Trust Company, National Association) relating to Senior Debt Securities	S-3ASR	333-134740	4.1	June 5, 2006
4.3	Form of Indenture between Mattel and J. P. Morgan Trust Company, National Association, relating to Subordinated Debt Securities	S-3ASR	333-134740	4.2	June 5, 2006
4.4	Indenture, dated as of September 23, 2010, between Mattel and Union Bank, N.A. relating to Senior Debt Securities	S-3ASR	333-169539	4.1	September 23, 2010
4.5	Form of Indenture between Mattel and Union Bank, N.A. relating to Subordinated Debt Securities	S-3ASR	333-169539	4.2	September 23, 2010
4.6	Form of 6.125% Notes due June 15, 2011	8-K	001-05647	4.2	June 12, 2006
4.7	Form of Supplemental Indenture between Mattel and The Bank of New York Trust Company, N.A.	8-K	001-05647	1.2	March 7, 2008
4.8	Form of 5.625% Notes due March 15, 2013	8-K	001-05647	1.2	March 7, 2008
4.9	Form of 4.35% Notes due 2020	8-K	001-05647	4.1	September 28, 2010
4.10	Form of 6.20% Notes due 2040	8-K	001-05647	4.2	September 28, 2010
4.11	Form of 2.500% Notes due 2016	8-K	001-05647	4.1	November 8, 2011
4.12	Form of 5.450% Notes due 2041	8-K	001-05647	4.2	November 8, 2011
10.0	Fifth Amended and Restated Credit Agreement dated as of March 8, 2011, by and among Mattel, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Managers, Wells Fargo Bank, N.A., as Syndication Agent, Citibank, N.A., Société Générale, The Royal Bank of Scotland plc, Mizuho Corporate Bank, Ltd. and Royal Bank of Canada, as Co-Documentation Agents, and the other financial institutions party thereto	8-K	001-05647	10.1	March 11, 2011
10.1	First Amended and Restated Receivables Purchase Agreement dated as of March 20, 2002 among Mattel Factoring, Inc., as Transferor, Mattel, Inc., as Servicer, Bank of America, N.A., as Administrative Agent, and the financial institutions party thereto	10-K	001-05647	10.1	March 28, 2002

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10.2	Amendment No. 1 to First Amended and Restated Receivables Purchase Agreement dated as of March 19, 2004, among Mattel Factoring, Inc., as Transferor, Mattel, Inc., as Servicer, Bank of America, N.A., as Administrative Agent, and the financial institutions party thereto	10-Q	001-05647	99.1	May 7, 2004
10.3	Amendment No. 2 to First Amended and Restated Receivables Purchase Agreement dated as of March 23, 2005, among Mattel Factoring, Inc., as Transferor, Mattel, Inc., as Servicer, Bank of America, N.A., as Administrative Agent, and the financial institutions party thereto	8-K	001-05647	99.1	March 29, 2005
10.4	Amendment No. 3 to First Amended and Restated Receivables Purchase Agreement dated as of March 23, 2009, by and among Mattel Factoring, Inc., as Transferor, Mattel, Inc., as Servicer, Bank of America, N.A., as Administrative Agent, and the financial institutions party thereto	10-Q	001-05647	10.4	April 29, 2009
10.5	Form of Indemnity Agreement between Mattel and certain of its directors	10-K	001-05647	10.9	March 28, 2001
10.6	Executive Employment Agreement dated October 18, 2000 between Mattel and Robert A. Eckert	10-K	001-05647	10.10	March 28, 2001
10.7	Amendment to Executive Employment Agreement between Mattel and Robert A. Eckert, effective as of December 31, 2008	10-K	001-05647	10.11	February 26, 2009
10.8	Letter Agreement between Mattel and Neil B. Friedman dated January 28, 2011 regarding separation from Mattel	8-K	001-05647	10.1	February 3, 2011
10.9	Amended and Restated Executive Employment Agreement dated March 28, 2000 between Mattel and Kevin M. Farr	10-K	001-05647	10.33	March 28, 2001
10.10	Amendment to Employment Agreement dated March 6, 2002 between Mattel and Kevin M. Farr	10-K	001-05647	10.30	March 28, 2002
10.11	Amendment to Amended and Restated Executive Employment Agreement between Mattel and Kevin M. Farr, effective as of December 31, 2008	10-K	001-05647	10.23	February 26, 2009
10.12	Notice to Kevin M. Farr dated June 30, 2009 regarding non-renewal of employment agreement	8-K	001-05647	10.1	July 2, 2009
10.13	Letter agreement between Mattel and Kevin M. Farr dated June 30, 2009 regarding Mr. Farr's participation in the Mattel, Inc. Executive Severance Plan	8-K	001-05647	10.5	July 2, 2009
10.14	Letter agreement between Mattel and Thomas A. Debrowski dated June 30, 2009 regarding Mr. Debrowski's participation in the Mattel, Inc. Executive Severance Plan	8-K	001-05647	10.6	July 2, 2009

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10.15	Letter agreement between Mattel and Bryan G. Stockton dated June 30, 2009 regarding Mr. Stockton's participation in the Mattel, Inc. Executive Severance Plan	8-K	001-05647	10.7	July 2, 2009
10.16	Letter Agreement between Mattel and Bryan G. Stockton, dated January 4, 2011, regarding Mr. Stockton's promotion to Chief Operating Officer	10-K	001-05647	10.36	February 24, 2011
10.17*	Letter Agreement between Mattel and Bryan G. Stockton, dated November 21, 2011, regarding Mr. Stockton's promotion to Chief Executive Officer				
10.18*	Letter Agreement between Mattel and Geoff Massingberd, dated June 25, 2008, regarding Mr. Massingberd's relocation to Mattel's headquarters				
10.19	Mattel Incentive Plan	DEF 14A	001-05647	Appendix E	April 12, 2007
10.20	Amendment No. 1 to the Mattel Incentive Plan	10-K	001-05647	10.32	February 26, 2009
10.21	Mattel, Inc. Deferred Compensation and PIP Excess Plan	S-8	333-89458	4.1	May 31, 2002
10.22	Mattel, Inc. Deferred Compensation and PIP Excess Plan (Post-2004)	10-Q	001-05647	10.1	October 24, 2008
10.23	Mattel, Inc. Deferred Compensation Plan for Non-Employee Directors (as amended and restated effective January 1, 2009)	10-K	001-05647	10.35	February 26, 2009
10.24	Mattel, Inc. 2005 Supplemental Executive Retirement Plan (as amended and restated effective January 1, 2009)	10-K	001-05647	10.36	February 26, 2009
10.25	Mattel, Inc. Executive Severance Plan	8-K	001-05647	10.4	July 2, 2009
10.26	The Fisher-Price Section 415 Excess Benefit Plan	10-K	001-05647	10.42	February 26, 2008
10.27	The Fisher-Price Excess Benefit Plan, as amended and restated effective January 1, 2009	10-K	001-05647	10.46	February 26, 2009
10.28*	Mattel, Inc. Personal Investment Plan, January 1, 2011 Restatement				
10.29	Amended and Restated Mattel, Inc. 1996 Stock Option Plan (the "1996 Plan")	10-K	001-05647	10.58	March 28, 2002
10.30	Amendment to the 1996 Plan	S-8	333-75145	4.2	March 26, 1999
10.31	Amendment No. 2 to the 1996 Plan	10-K	001-05647	10.42	March 10, 2000
10.32	Amendment No. 3 to the 1996 Plan	10-Q	001-05647	99.1	May 3, 2000
10.33	Amendment No. 4 to the 1996 Plan	10-K	001-05647	10.68	March 28, 2001
10.34	Amendment No. 5 to the 1996 Plan	10-Q	001-05647	99.1	October 26, 2001
10.35	Amendment to the 1996 Plan	10-K	001-05647	10.64	March 28, 2002
10.36	Amendment No. 6 to the 1996 Plan	10-Q	001-05647	99.0	August 9, 2002
10.37	Amendment No. 7 to the 1996 Plan	10-Q	001-05647	99.0	November 12, 2002

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10.38	Form of Option Grant Agreement for Outside Directors (Initial Grant) under the 1996 Plan, as amended	10-Q	001-05647	99.1	August 14, 2003
10.39	Form of Option Grant Agreement for Outside Directors (Annual Grant) under the 1996 Plan, as amended	10-Q	001-05647	99.2	August 14, 2003
10.40	Form of Option Grant Agreement (Three Year Vesting) under the 1996 Plan, as amended	10-Q	001-05647	99.3	August 14, 2003
10.41	Mattel, Inc. 2005 Equity Compensation Plan (the “2005 Plan”)	DEF 14A	001-05647	Appendix C	April 13, 2005
10.42	Amendment No. 1 to the 2005 Plan	10-K	001-05647	10.76	February 26, 2009
10.43	Amendment No. 2 to the 2005 Plan	10-Q	001-05647	10.1	April 29, 2009
10.44	Mattel, Inc. 2010 Equity and Long-Term Compensation Plan (the “2010 Plan”)	DEF 14A	001-05647	Appendix A	March 30, 2010
10.45	Form of Grant Agreement as of August 1, 2005 for grants to employees of Non-Qualified Stock Options (“NQSOs”) under the 2005 Plan	8-K	001-05647	99.1	August 5, 2005
10.46	Form of Grant Agreement as of August 1, 2006 for grants to employees of NQSOs under the 2005 Plan	8-K	001-05647	99.0	August 4, 2006
10.47	Form of Grant Agreement as of May 17, 2007 for grants to employees of NQSOs under the 2005 Plan	8-K	001-05647	99.0	May 18, 2007
10.48	Form of Notice of Grant and Grant Agreement for RSUs to Non-Employee Directors under the 2010 Plan	10-Q	001-05647	10.1	July 28, 2010
10.49	Form of Notice of Grant and Grant Agreement for NQSOs to Employees under the 2010 Plan	10-Q	001-05647	10.1	October 27, 2010
10.50	Form of Notice of Grant and Grant Agreement for RSUs to Employees under the 2010 Plan	10-Q	001-05647	10.2	October 27, 2010
10.51	Form of Grant Agreement for Long-Term Incentive Program Performance-Based Restricted Stock Units for Senior Executives under the 2010 Plan for Certain Executive Officers with Employment Agreements and Certain Executive Officers Participating in the Mattel, Inc. Executive Severance Plan	10-Q	001-05647	10.1	April 27, 2011
10.52	Form of Grant Agreement for Long-Term Incentive Program Performance-Based Restricted Stock Units for Senior Executives under the 2010 Plan	10-Q	001-05647	10.2	April 27, 2011

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10.53	Form of Notice of Grant and Grant Agreement for NQSOs to Certain Executive Officers with Employment Agreements under the 2010 Plan	10-Q	001-05647	10.5	October 27, 2010
10.54	Form of Notice of Grant and Grant Agreement for NQSOs to Participants in the Severance Plan under the 2010 Plan	10-Q	001-05647	10.6	October 27, 2010
10.55	Form of Notice of Grant and Grant Agreement for RSUs to Participants in the Severance Plan under the 2010 Plan	10-Q	001-05647	10.7	October 27, 2010
10.56	Form of Grant Agreement for August 1, 2005 grant to Robert A. Eckert of NQSOs under the 2005 Plan	8-K	001-05647	99.2	August 5, 2005
10.57	Form of Grant Agreement for August 1, 2006 and August 1, 2007 grants to Robert A. Eckert of NQSOs under the 2005 Plan	8-K	001-05647	99.1	August 4, 2006
10.58	Form of Notice of Grant and Grant Agreement for NQSOs to Robert A. Eckert under the 2010 Plan	10-Q	001-05647	10.3	October 27, 2010
10.59	Form of Notice of Grant and Grant Agreement for RSUs to Robert A. Eckert under the 2010 Plan	10-Q	001-05647	10.4	October 27, 2010
10.60	Form of Grant Agreement for August 1, 2005 grant to Thomas A. Debrowski of NQSOs under the 2005 Plan	8-K	001-05647	99.4	August 5, 2005
10.61	Form of Grant Agreement for August 1, 2006 grant to Thomas A. Debrowski of NQSOs under the 2005 Plan	8-K	001-05647	99.2	August 4, 2006
10.62	Form of Grant Agreement for August 1, 2007 grant to Thomas A. Debrowski of NQSOs under the 2005 Plan	8-K	001-05647	99.4	May 18, 2007
10.63	Form of Grant Agreement for August 1, 2005 grant to Kevin M. Farr of NQSOs under the 2005 Plan	8-K	001-05647	99.5	August 5, 2005
10.64	Form of Grant Agreement for August 1, 2006 grant to Kevin M. Farr of NQSOs under the 2005 Plan	8-K	001-05647	99.3	August 4, 2006
10.65	Form of Grant Agreement for August 1, 2007 grant to Kevin M. Farr of NQSOs under the 2005 Plan	8-K	001-05647	99.3	May 18, 2007
10.66	Form of Grant Agreement for August 1, 2005 grant to Neil B. Friedman of NQSOs under the 2005 Plan	8-K	001-05647	99.6	August 5, 2005
10.67	Form of Grant Agreement for August 1, 2006 grant to Neil B. Friedman of NQSOs under the 2005 Plan	8-K	001-05647	99.4	August 4, 2006
10.68	Form of Grant Agreement for August 1, 2007 grant to Neil B. Friedman of NQSOs under the 2005 Plan	8-K	001-05647	99.2	May 18, 2007

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10.69	Form of Grant Agreement as of March 16, 2006 for Initial Grant to Outside Director of NQSOs under the 2005 Plan	8-K	001-05647	99.1	March 17, 2006
10.70	Form of Grant Agreement as of May 17, 2007 for Initial Grant to Outside Director of NQSOs under the 2005 Plan	8-K	001-05647	99.6	May 18, 2007
10.71	Form of Grant Agreement for May 19, 2005 Annual Grants to Outside Directors of NQSOs under the 2005 Plan	10-Q	001-05647	99.0	August 3, 2005
10.72	Form of Grant Agreement for May 11, 2006 Annual Grants to Outside Directors of NQSOs under the 2005 Plan	8-K	001-05647	99.1	May 12, 2006
10.73	Form of Grant Agreement for May 18, 2007 Annual Grants to Outside Directors of NQSOs under the 2005 Plan	8-K	001-05647	99.8	May 18, 2007
10.74	Form of Grant Agreement for May 13, 2009 Annual Grants to Outside Directors of RSUs under the 2005 Plan	10-Q	001-05647	10.2	April 29, 2009
10.75	Form of Grant Agreement for Special Retention Award of RSUs under the 2005 Plan	10-Q	001-05647	10.1	October 28, 2009
10.76	Mattel, Inc. Key Executive Life Insurance Plan (for Robert A. Eckert)	10-K	001-05647	10.109	February 26, 2007
10.77*	Mattel, Inc. Summary of Compensation of the Non-Employee Members of the Board of Directors				
12.0*	Computation of Earnings to Fixed Charges				
21.0*	Subsidiaries of the Registrant as of December 31, 2011				
23.0*	Consent of Independent Registered Public Accounting Firm				
24.0*	Power of Attorney (on page 110 of Form 10-K)				
31.0*	Certification of Principal Executive Officer dated February 23, 2012 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.1*	Certification of Principal Financial Officer dated February 23, 2012 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.0**	Certification of Principal Executive Officer and Principal Financial Officer dated February 23, 2012, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽¹⁾				

Table of Contents

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
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				

* Filed herewith.

** Furnished herewith.

(1) This exhibit should not be deemed to be "filed" for purposes of Section 18 of the Exchange Act.

Mattel has not filed certain long-term debt instruments under which the principal amount of securities authorized to be issued does not exceed 10% of its total assets. Copies of such agreements will be provided to the SEC upon request.

(b) Exhibits Required by Item 601 of Regulation S-K

See Item (3) above.

(c) Financial Statement Schedule

See Item (2) above.

Copies of this Annual Report on Form 10-K (including Exhibit 24.0) and Exhibits 12.0, 21.0, 23.0, 31.0, 31.1, and 32.0 are available to stockholders of Mattel without charge. Copies of other exhibits can be obtained by stockholders of Mattel upon payment of twelve cents per page for such exhibits. Written requests should be sent to: Secretary, Mail Stop M1-1516, Mattel, Inc., 333 Continental Blvd., El Segundo, California 90245-5012.

Table of Contents

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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/ KEVIN M. FARR
Kevin M. Farr
Chief Financial Officer

Date: February 23, 2012

POWER OF ATTORNEY

We, the undersigned directors and officers of Mattel, Inc. do hereby severally constitute and appoint Bryan G. Stockton, Robert Normile, Andrew Paalborg, and Christopher A. Sinclair, and each of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or any of them, may deem necessary or advisable to enable said Corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically, but without limitation, power and authority to sign for us or any of us, in our names in the capacities indicated below, any and all amendments hereto; and we do each hereby ratify and confirm all that said attorneys and agents, or any one of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Table with 3 columns: Signature, Title, Date. It lists signatures and titles of Bryan G. Stockton, Kevin M. Farr, H. Scott Topham, Michael J. Dolan, Robert A. Eckert, Dr. Frances D. Fergusson, Tully M. Friedman, and Dominic Ng, along with their dates of signing.

Table of Contents

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ VASANT M. PRABHU</u> Vasant M. Prabhu	Director	February 23, 2012
<u>/s/ ANDREA L. RICH</u> Andrea L. Rich	Director	February 23, 2012
<u>/s/ DEAN A. SCARBOROUGH</u> Dean A. Scarborough	Director	February 23, 2012
<u>/s/ CHRISTOPHER A. SINCLAIR</u> Christopher A. Sinclair	Director	February 23, 2012
<u>/s/ G. CRAIG SULLIVAN</u> G. Craig Sullivan	Director	February 23, 2012
<u>/s/ DIRK VAN DE PUT</u> Dirk Van De Put	Director	February 23, 2012
<u>/s/ KATHY WHITE LOYD</u> Kathy White Loyd	Director	February 23, 2012

MATTEL, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND ALLOWANCES

	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Operations</u>	<u>Net Deductions</u>	<u>Balance at End of Year</u>
	(In thousands)			
Allowance for Doubtful Accounts:				
Year ended December 31, 2011	\$ 21,775	\$ 6,160	\$ (1,604)(a)	\$ 26,331
Year ended December 31, 2010	24,530	4,464	(7,219)(a)	21,775
Year ended December 31, 2009	25,894	21,483	(22,847)(a)	24,530
Allowance for Inventory Obsolescence:				
Year ended December 31, 2011	\$ 46,876	\$ 33,027	\$(40,656)(b)	\$ 39,247
Year ended December 31, 2010	40,816	31,118	(25,058)(b)	46,876
Year ended December 31, 2009	59,124	22,579	(40,887)(b)	40,816
Income Tax Valuation Allowances:				
Year ended December 31, 2011	\$ 44,917	\$ 7,394	\$(10,025)(c)	\$ 42,286
Year ended December 31, 2010	112,048	12,120	(79,251)(c)	44,917
Year ended December 31, 2009	150,963	280	(39,195)(c)	112,048

(a) Includes write-offs, recoveries of previous write-offs, and currency translation adjustments.

(b) Primarily represents relief of previously established reserves resulting from the disposal of related inventory, raw materials, write-downs and currency translation adjustments.

(c) Primarily represents the utilization and write-offs of loss carryforwards for 2011 and the change in the projected utilization of loss carryforwards due to tax law changes extending the carryover periods in 2011. Primarily represents projected utilization of foreign tax credits and utilization and write-offs of loss carryforwards for 2010. Primarily represents expiration of foreign tax credits and the utilization and write-offs of loss carryforwards for 2009.



November 21, 2011

Mr. Bryan Stockton
250 S. Bristol Avenue
Los Angeles, CA 90049

Dear Bryan:

Mattel, Inc. (the "Company") is pleased to extend to you a promotion to the position of Chief Executive Officer, effective as of January 1, 2012. This letter outlines the terms, effective as of January 1, 2012, surrounding your promotion.

COMPENSATION

Salary

Your annual base salary will be increased to \$1,150,000 payable on a bi-weekly basis, less applicable federal and state taxes and other required withholdings.

Mattel Incentive Plan

Your 2012 Mattel Incentive Plan (MIP) award target will increase to 130% of annual base salary with a potential at maximum of 260% of annual base salary. The actual terms of your MIP award will be established by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") in its sole discretion.

Long-Term Incentive Program

Your target award level in the 2011 – 2013 Long-Term Incentive Program will be increased by \$2,000,000, as approved by the Compensation Committee in its sole discretion. For the increase, the financial performance-related component of the LTIP will be determined based on the Company's achievements in the last two years of the performance period.

Equity Compensation

You will be eligible for annual grants of equity compensation as approved by the Compensation Committee in its sole discretion. The level projected for your August 2012 annual grant is \$3,666,667.

Special Equity Grant

You will receive a special equity grant award on January 3, 2012 with a grant value of \$1,500,000 with 50% of such grant in the form of restricted stock units (the "RSUs") and the remaining 50% in stock options. The RSU grant will vest 50% on the second anniversary of the grant date and the remaining 50% on the third anniversary of the grant date and the options will vest in annual installments on the first through third anniversaries of the grant date. The dollar value for the stock options will be converted into a number of stock options using a Black-Scholes valuation model and the dollar value for RSU shall be converted into a number of RSUs by dividing the dollar value by the closing stock price on the date of grant. The terms of the RSU and stock options award will be set forth in the grant agreements. You must be employed on the grant date to receive the award.

EXECUTIVE BENEFITS & PERQUISITES

As an executive, you will continue to be eligible to participate in the Company's executive benefits and perquisites, including the Supplemental Executive Retirement Plan.

BENEFITS

You will continue to participate in Mattel's benefit programs.

STOCK OWNERSHIP

Your stock ownership guideline requirement will be assigned by the Compensation Committee in its sole discretion, and you will have until December 31, 2015 to comply with such guideline.

SEVERANCE ARRANGEMENT

You will continue to participate in the Mattel, Inc. Executive Severance Plan.

The terms of this letter do not imply employment for a specific period. This means that your employment will be at-will, and either you or the Company can terminate it at any time, for any or no reason, with or without cause or advance notice. This at-will relationship cannot be changed by any statement, act, series of events, or pattern of conduct and can only be changed by an express, individual written employment agreement signed by you and the Chief Human Resources Officer of Mattel, Inc.

Mr. Bryan Stockton

Page 3

Bryan, we are sincerely pleased to provide you with this letter detailing the terms of your new position and look forward to a mutually beneficial arrangement.

Please review the terms contained herein and sign below to indicate your understanding and concurrence. Also, note that I have enclosed two copies of the letter so that you can return a signed copy to me and retain one for your records.

Sincerely,

/s/ G. Craig Sullivan

G. Craig Sullivan

Chairman Compensation Committee, Mattel, Inc. Board
of Directors

Agreed and Accepted:

/s/ Bryan Stockton

Bryan Stockton

24 December 2011

Date



June 25, 2008

Geoff Massingberd
SVP Corporate Responsibility

Dear Geoff,

This letter is to set forth the terms surrounding your relocation to the Mattel Corporate Headquarters in El Segundo, California as Senior Vice President, Corporate Responsibility.

C O M P E N S A T I O N

Salary

Your current annual base salary of CAD 543,131 will be converted to USD\$ using the year-to-date conversion rate average from January 1, 2008 to your date of transfer, and will be payable on a bi-weekly basis, less applicable federal and state taxes and other required withholdings.

Mattel Incentive Plan

Your 2008 Mattel Incentive Plan (MIP) award target will remain unchanged at 60%.

Long-Term Incentive Program

You will continue to participate in the 2008 – 2010 Long-Term Incentive Program. Your target level award will remain unchanged at \$800,000 (44,893 Performance-Based Restricted Stock Units).

Company Car/ Car Allowance

You will continue to maintain your Company car through the end of the current lease. At the end of the lease, you will be eligible to receive a monthly car allowance in the amount of \$2,000 for all your automobile expenses, payable on a bi-weekly basis, less applicable federal and state taxes and other required withholdings.

Deferred Compensation

As an executive, you will be eligible to participate in the Company's Deferred Compensation Plan. Under this plan, you may elect to defer a portion of your salary or bonus, with various investment and payment options available.

Special Retirement Benefit

You will continue to be eligible for a Special Retirement Benefit that provides you with a Company contribution of 10% of your base salary annually through age 60, with vesting at age 55.

Financial Planning

Mattel will continue to reimburse you up to \$10,000 per year for financial planning services.

BENEFITS

Health & Welfare

The following is a brief outline of Mattel benefits in which you will be eligible to participate as of your transfer date. You and your qualified dependents, if applicable, will be eligible for the following coverage:

- Medical
- Dental
- Vision
- Prescription
- Life Insurance
- Accidental Death & Dismemberment
- Business Travel Coverage
- Short & Long-Term Disability

Retirement/ 401(k) – Mattel, Inc. Personal Investment Plan (PIP)

Your participation in the Mattel Canada Registered Retirement Savings Plan will be frozen as of your transfer date, and you will be automatically enrolled in the Mattel, Inc. Personal Investment Plan (PIP), which is a 401(k) savings/retirement plan. The Plan offers both Company Automatic and Matching contributions in addition to employee contributions as outlined below:

- Company Automatic Contributions

The Company will make automatic contributions to your account ranging from 3% to 8% of your salary, based on age.

- Employee Contributions

You will be enrolled with a 2% pre-tax contribution which will be matched dollar-for-dollar by the Company (in accordance with the Company Matching provision). This contribution will begin automatically within about 45 days of your transfer. The Plan provides you the choice to increase this contribution up to 80%, subject to IRS limitations. (In addition, you will have the opportunity to opt-out of the 2% pre-tax contribution before the first deduction from your paycheck.)

You will receive a PIP packet in the mail shortly following your transfer date. This packet will provide additional details regarding your options for increasing, decreasing/cancelling your contribution as well as the available investment offerings.

- **Company Matching Provision**

The Company will match up to the first 6% of pay you contribute to your PIP account as follows: on a dollar-for-dollar basis up to 2% of your annual salary and on a fifty-cents-on-the-dollar basis for up to the next 4% of your salary.

Specific compensation and benefits details and plan limitations are provided in Summary Plan Descriptions or Plan Documents, which govern and are subject to periodic modification and revision.

R ELOCATION

The Company will provide services to assist you with all aspects of your move. These services may include travel, temporary accommodations, movement of household goods, expense reimbursement, etc. in accordance with the attached Mattel Relocation Summary. Throughout your relocation, Mattel's relocation specialist, Janice Solis, will be available to provide you with assistance. She can assist you with questions regarding the details of your move and temporary housing. Janice can be reached at (310) 252-3135.

Special Relocation Bonus

You will receive a special relocation bonus in the amount of \$200,000, net of taxes, to assist with your relocation to Corporate Headquarters in El Segundo, California and purchase of a new home. This special bonus will be paid to you within 30 days of the purchase of a new home.

Special Transitional Housing Allowance

You will receive a special monthly housing allowance in the amount of \$2,500, net of taxes, for 36 months from the date you relocate to Corporate Headquarters in El Segundo, California and purchase a home. Monthly payments will start once you purchase a new home.

With respect to relocation services, if you choose to voluntarily terminate your employment with the Company or you are discharged for "cause" as defined below, within two years of your relocation date, you will be required to reimburse the Company within 30 days of your termination date for any relocation expenses incurred by the Company on your behalf.

S EVERANCE

In the event your employment is involuntarily terminated from the Company for reasons other than for "cause," you will be provided with severance payments equal to two years of base salary. Receipt of the severance payments is contingent upon your signing and not revoking the Company's then current standard form release agreement, which will be substantially in the form attached as Exhibit A with such revisions as determined to be appropriate by the Company to reflect changes in the law to ensure the enforceability of such agreement.

For purposes of severance and the repayment of relocation expenses, and without altering the at-will employment offered by the Company, "cause" shall mean the Company's good faith belief that you: (i) refused to follow the Company's lawful directions or materially failed to perform your duties (other than by reason of physical or mental illness, injury, or condition); (ii) materially failed to comply with Company policies; or (iii) engaged in conduct that is or may be unlawful or disreputable, to the possible detriment of the Company and its subsidiaries and affiliates, and their predecessors and successors, or your own reputation.

Specific compensation and benefits details and plan limitations are provided in Summary Plan Descriptions or Plan Documents and are subject to periodic modification and revision.

You understand and acknowledge that the terms of this letter do not imply employment for a specific period and thus your employment will be at will; either you or the Company can terminate it at any time, with or without cause or advance notice. This statement is the entirety of your agreement with the Company on the subject of the duration of your employment.

Geoff, we are sincerely pleased to provide you with this letter detailing the terms of this new assignment and look forward to a mutually beneficial arrangement. As I am sure you can appreciate, it would be disruptive if information about your special arrangement were communicated to others. Accordingly, I trust you will not disclose or discuss this special arrangement with anyone either inside or outside the Company, other than your immediate family, attorney, or other professional advisor.

Please review the terms contained herein and sign below to indicate your understanding and concurrence. Also, note that I have enclosed two copies of the letter so that you can return a signed copy to me and retain one for your records. If I can answer any questions, please do not hesitate to call me at 310-252-6345.

Sincerely,

/s/ Alan Kaye

Alan Kaye
Senior Vice President, Human Resources

/s/ Geoff Massingberd

Geoff Massingberd

June 25, 2008
Date

MATTEL, INC.

PERSONAL INVESTMENT PLAN

Amended and restated effective as of January 1, 2011

ARTICLE I GENERAL	1
1.1 Plan Name	1
1.2 Plan Purpose	1
1.3 Effective Date	1
1.4 Plan Mergers	1
ARTICLE II DEFINITIONS	3
2.1 Accounts	3
2.2 Affiliated Company	5
2.3 After-Tax Contributions	5
2.4 American Girl Retail Store Employee	5
2.5 Before-Tax Contributions	5
2.6 Beneficiary	6
2.7 Board of Directors	6
2.8 Code	6
2.9 Committee	6
2.10 Company	6
2.11 Company Contributions	6
2.12 Company Matching Contributions	6
2.13 Company Stock	7
2.14 Compensation	7
2.15 Deferral Limitation	8
2.16 Distributable Benefit	8
2.17 Early Retirement Date	8
2.18 Effective Date	9
2.19 Eligible Employee	9
2.20 Employee	10
2.21 Employment Commencement Date	10
2.22 ERISA	11
2.23 Fort Wayne Plan	11
2.24 F-P Savings Plan	11
2.25 Governance Committee	11
2.26 Highly Compensated Employee	11
2.27 Hour of Service	13
2.28 HPIP	14
2.29 Investment Manager	14
2.30 Leased Employee	14
2.31 Normal Retirement	15
2.32 Normal Retirement Date	15
2.33 Participant	15
2.34 Participation Commencement Date	15
2.35 Participating Company	15
2.36 Period of Severance	15
2.37 Plan	16
2.38 Plan Administrator	16

2.39 Plan Year	16
2.40 Pleasant Plan	16
2.41 PrintPaks Plan	16
2.42 Severance Date	16
2.43 Total and Permanent Disability	17
2.44 Trust or Trust Fund	17
2.45 Trustee	17
2.46 Tyco Plan	17
2.47 Tyco Retirement Plan	17
2.48 Valuation Date	17
2.49 Year of Service	18
ARTICLE III ELIGIBILITY AND PARTICIPATION	19
3.1 Eligibility to Participate	19
3.2 Commencement of Participation	19
3.3 Historical Participation Dates	19
3.4 Former Participants in F-P Savings Plan	20
3.5 Former Participants in Tyco Plan	20
3.6 Former Participants in PrintPaks Plan	20
3.7 Former Participants in Pleasant Plan	20
3.8 Former Tyco Retirement Plan	20
3.9 Former HPIP	21
ARTICLE IV TRUST FUND	21
4.1 Trust Fund	21
4.2 Investment and Application of Plan Contributions	22
4.3 Irrevocability	23
4.4 Company, Committee and Trustee Not Responsible for Adequacy of Trust Fund	23
ARTICLE V EMPLOYEE CONTRIBUTIONS	24
5.1 Employee Contributions	24
5.2 Amount Subject to Election	25
5.3 Termination of, Change in Rate of, or Resumption of Deferrals	26
5.4 Limitation on Before-Tax Contributions by Highly Compensated Employees	26
5.5 Provisions for Disposition of Excess Before-Tax Contributions by Highly Compensated Employees	28
5.6 Provisions for Return of Annual Before-Tax Contributions in Excess of the Deferral Limitation	30
5.7 Character of Amounts Contributed as Before-Tax Contributions	31
5.8 Rollover Contributions	31
5.9 Transfer From Fisher-Price or Tyco	32

ARTICLE VI COMPANY CONTRIBUTIONS	33
6.1 General	33
6.2 Requirement for Net Profits	34
6.3 Special Limitations on After-Tax Contributions and Company Matching Contributions	34
6.4 Provision for Return of Excess After-Tax Contributions and Company Matching Contributions on Behalf of Highly Compensated Employees	36
6.5 Forfeiture of Company Matching Contributions Attributable to Excess Deferrals or Contributions	38
ARTICLE VII PARTICIPANT ACCOUNTS AND ALLOCATIONS	38
7.1 General	39
7.2 Participants' Accounts	39
7.3 Revaluation of Participants' Accounts	39
7.4 Treatment of Accounts Following Termination of Employment	39
7.5 Accounting Procedures	39
ARTICLE VIII VESTING; PAYMENT OF PLAN BENEFITS	40
8.1 Vesting	40
8.2 Distribution Upon Retirement	42
8.3 Distribution Upon Death Prior to Termination of Employment	44
8.4 Death After Termination of Employment	44
8.5 Termination of Employment	44
8.6 Withdrawals	46
8.7 Form of Distribution	50
8.8 Election for Direct Rollover of Distributable Benefit to Eligible Retirement Plan	50
8.9 Designation of Beneficiary and Documentation Related to Death of Participant	52
8.10 Facility of Payment	53
8.11 Requirement of Spousal Consent	53
8.12 Company Stock Distribution	53
8.13 Valuation of Accounts	54
8.14 Forfeitures; Repayment	55
8.15 Loans	56
8.16 Special Rule for Disabled Employees	57
8.17 Election for Fully Vested Employees Transferred to Fisher-Price, Inc.	59
8.18 Provision for Small Benefits	59
8.19 Special Provisions Applicable to Tyco Plan Accounts	60
8.20 Special Provisions Applicable to PrintPaks Plan Accounts	60
8.21 Special Provisions Applicable to Fort Wayne Plan Accounts	61
8.22 Special Provisions Applicable to Pleasant Plan Nonelective Account	62
ARTICLE IX OPERATION AND ADMINISTRATION OF THE PLAN	62
9.1 Plan Administration	62

9.2 Committee Powers	62
9.3 Investment Manager	65
9.4 Periodic Review	65
9.5 Committee Procedure	65
9.6 Compensation of Committee	66
9.7 Resignation and Removal of Members	66
9.8 Appointment of Successors	66
9.9 Records	66
9.10 Reliance Upon Documents and Opinions	67
9.11 Requirement of Proof	67
9.12 Reliance on Committee Memorandum	67
9.13 Limitation on Liability	67
9.14 Indemnification	68
9.15 Allocation of Fiduciary Responsibility	68
9.16 Bonding	69
9.17 Prohibition Against Certain Actions	69
9.18 Plan Expenses	69
ARTICLE X SPECIAL PROVISIONS CONCERNING COMPANY STOCK	70
10.1 Securities Transactions	70
10.2 Valuation of Company Securities	70
10.3 Allocation of Stock Dividends and Splits	71
10.4 Reinvestment of Dividends	71
10.5 Voting of Company Stock	71
10.6 Confidentiality Procedures	72
10.7 Securities Law Limitation	72
ARTICLE XI MERGER OF COMPANY; MERGER OF PLAN	73
11.1 Effect of Reorganization or Transfer of Assets	73
11.2 Merger Restriction	73
ARTICLE XII PLAN TERMINATION AND DISCONTINUANCE OF CONTRIBUTIONS	73
12.1 Plan Termination	73
12.2 Discontinuance of Contributions	74
12.3 Rights of Participants	74
12.4 Trustee's Duties on Termination	74
12.5 Partial Termination	75
12.6 Failure to Contribute	75
ARTICLE XIII APPLICATION FOR BENEFITS	76
13.1 Application for Benefits	76
13.2 Action on Application	76
13.3 Appeals	76

ARTICLE XIV LIMITATIONS ON CONTRIBUTIONS	77
14.1 General Rule	77
14.2 Annual Additions	78
14.3 Other Defined Contribution Plans	78
14.4 Affiliated Company	78
ARTICLE XV RESTRICTION ON ALIENATION	78
15.1 General Restrictions Against Alienation	78
15.2 Qualified Domestic Relations Orders	79
ARTICLE XVI PLAN AMENDMENTS	80
16.1 Amendments	80
16.2 Retroactive Amendments	81
16.3 Amendment of Vesting Provisions	81
ARTICLE XVII TOP-HEAVY PROVISIONS	81
17.1 Minimum Company Contributions	81
17.2 Top-Heavy Determination	82
17.3 Aggregation	84
ARTICLE XVIII MISCELLANEOUS	85
18.1 No Enlargement of Employee Rights	85
18.2 Mailing of Payments; Lapsed Benefits	85
18.3 Addresses	86
18.4 Notices and Communications	86
18.5 Reporting and Disclosure	87
18.6 Governing Law	87
18.7 Interpretation	87
18.8 Certain Securities Laws Rules	87
18.9 Withholding for Taxes	88
18.10 Limitation on Company; Committee and Trustee Liability	88
18.11 Successors and Assigns	88
18.12 Counterparts	88
18.13 Military Service	88
Appendix A Participating Companies	
Appendix B Special Rules for Employees in Puerto Rico	

MATTEL, INC.

PERSONAL INVESTMENT PLAN

**ARTICLE I
GENERAL**

1.1 Plan Name.

This instrument evidences the terms of a tax-qualified retirement plan for the Eligible Employees of Mattel, Inc. and its participating affiliates to be known as the “Mattel, Inc. Personal Investment Plan” (“Plan”).

1.2 Plan Purpose.

This Plan is intended to qualify under Code Section 401(a) as a profit sharing plan, although contributions may be made to the Plan without regard to profits, and with respect to the portion hereof intended to qualify as a Qualified Cash or Deferred Arrangement, to satisfy the requirements of Code Section 401(k).

1.3 Effective Date.

The original effective date of this Plan is November 1, 1983. This amendment and restatement of the Plan reflects the provisions of the Plan in effect as of January 1, 2011, except as otherwise expressly provided herein.

1.4 Plan Mergers.

Effective April 1, 1997, the Fisher-Price, Inc. Matching Savings Plan (the “F-P Savings Plan”) was merged with and into this Plan and the account balances under the former F-P Savings Plan were transferred to corresponding accounts under this Plan as follows:

F-P Savings Plan Account	Corresponding Plan Account
Employee Contribution Account	Before-Tax Contributions Account
Company Matching Account	Company Matching Account
Discretionary Contribution Account	Company Matching Account
Profit Sharing Account	Transfer/Rollover Account
Rollover Contributions Account	Transfer/Rollover Account

Effective January 2, 1998, the Tyco Toys, Inc. 401(k) Savings Plan (“Tyco Plan”) was merged with and into this Plan and the account balances under the former Tyco Plan were transferred to corresponding accounts under this Plan as follows:

Tyco Plan Account

Corresponding Plan Account

Deferral Contributions Account

Tyco Before-Tax Contributions Account

Regular Matching Contributions Account

Tyco Company Matching Account

Rollover Contribution Account

Transfer/Rollover Account

Effective June 30, 2000, the PrintPaks, Inc. 401(k) Plan (“PrintPaks Plan”) was merged with and into this Plan and the account balances under the former PrintPaks Plan were transferred to corresponding accounts under this Plan as follows:

PrintPaks Plan Account

Corresponding Plan Account

Elective Deferrals Account

PrintPaks Before-Tax Contributions Account

Matching Contributions Account

PrintPaks Company Matching Account

Rollover Contributions Account

Transfer/Rollover Account

Effective December 15, 2000, the Mattel-Fort Wayne Hourly 401(k) Plan (the “Fort Wayne Plan”) was merged with and into this Plan and the account balances under the former Fort Wayne Plan were transferred to corresponding accounts under this Plan as follows:

Fort Wayne Plan Account

Corresponding Plan Account

Elective Deferrals Account

Fort Wayne Plan Before-Tax Contributions Account

Matching Contributions Account

Fort Wayne Plan Company Matching Account

Nonelective Contributions Account

Fort Wayne Plan Nonelective Account

Rollover Contributions Account

Transfer/Rollover Account

Effective October 1, 2001, the Pleasant Company Retirement Savings Plan (the “Pleasant Plan”) was merged with and into this Plan and the account balances under the former Pleasant Plan were transferred to corresponding accounts under this Plan as follows:

Pleasant Plan Account	Corresponding Plan Account
Employer Nonelective Contributions Account	Pleasant Plan Nonelective Account
Rollover Contributions Account	Transfer/Rollover Account

Effective as of the close of business on March 31, 2011, the Mattel, Inc. Hourly Employee Personal Investment Plan (the “HPIP”) has been merged with and into this Plan and the account balances under the former HPIP have been transferred to corresponding accounts of the same name under this Plan.

ARTICLE II DEFINITIONS

2.1 Accounts.

“Accounts” or “Participant’s Accounts” means the following Plan accounts maintained by the Committee for each Participant as required by Article VII:

(a) “Before-Tax Contributions Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Participant Before-Tax Contributions, and any earnings thereon, in accordance with Article V.

(b) “After-Tax Contributions Account” shall mean the account established and maintained for each Participant under Article VII to reflect amounts held in the Trust Fund on behalf of such Participant which are attributable to Participant After-Tax Contributions and any earnings thereon, in accordance with Article V.

(c) “Company Matching Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Company Matching Contributions, and any earnings thereon, pursuant to Section 6.1(c).

(d) “Company Contributions Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Company Contributions, and any earnings thereon, pursuant to Section 6.1(a).

(e) “Transfer/Rollover Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to amounts distributed to the Participant from any other plan qualified under Code Section 401(a), or from an Individual Retirement Account attributable to employer contributions under another plan qualified under Code Section 401(a), and any earnings on such amounts, as provided in Section 5.8.

(f) “Tyco Before-Tax Contributions Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Participant before-tax contributions to the Tyco Plan, and any earnings thereon, in accordance with Article V.

(g) “Tyco Company Matching Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to matching contributions to the Tyco Plan, and any earnings thereon, in accordance with Article V.

(h) “PrintPaks Before-Tax Contributions Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Participant before-tax contributions to the PrintPaks Plan, and any earnings thereon, in accordance with Article V.

(i) “PrintPaks Company Matching Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to matching contributions to the PrintPaks Plan, and any earnings thereon, in accordance with Article V.

(j) “Fort Wayne Plan Before-Tax Contributions Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Participant before-tax contributions to the Fort Wayne Plan, and any earnings thereon, in accordance with Article V.

(k) “Fort Wayne Plan Company Matching Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to matching contributions to the Fort Wayne Plan, and any earnings thereon, in accordance with Article V.

(l) “Fort Wayne Plan Nonelective Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to nonelective contributions to the Fort Wayne Plan, and any earnings thereon, in accordance with Article V.

(m) “Pleasant Plan Nonelective Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to nonelective contributions to the Pleasant Plan, and earnings thereon, in accordance with Article V.

(n) “Tyco Retirement Plan Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to contributions to the Tyco Retirement Plan, and any earnings thereon, in accordance with Article V.

2.2 Affiliated Company .

“Affiliated Company” shall mean:

- (a) Any corporation that is included in a controlled group of corporations, within the meaning of Section 414(b) of the Code, that includes the Company,
- (b) Any trade or business that is under common control with the Company within the meaning of Section 414(c) of the Code,
- (c) Any member of an affiliated service group, within the meaning of Section 414(m) of the Code, that includes the Company, and
- (d) Any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code.

2.3 After-Tax Contributions .

“After-Tax Contributions” shall mean those contributions by a Participant to the Trust Fund in accordance with Article V which do not qualify as Before-Tax Contributions.

2.4 American Girl Retail Store Employee .

“American Girl Retail Store Employee” shall mean an Employee at any American Girl store.

2.5 Before-Tax Contributions .

“Before-Tax Contributions” shall mean those amounts contributed to the Plan as a result of a salary or wage reduction election made by the Participant in accordance with Article V, to the extent such contributions qualify for treatment as contributions made under a “qualified cash or deferred arrangement” within the meaning of Section 401(k) of the Code.

2.6 Beneficiary.

“Beneficiary” or “Beneficiaries” shall mean the person or persons last designated by a Participant as set forth in Section 8.9 or, if there is no designated Beneficiary or surviving Beneficiary, the person or persons designated in Section 8.9 to receive the interest of a deceased Participant in such event.

2.7 Board of Directors.

“Board of Directors” shall mean the Board of Directors of Mattel, Inc. (or its delegate) as it may from time to time be constituted.

2.8 Code.

“Code” shall mean the Internal Revenue Code of 1986, as in effect on the date of execution of this Plan document and as thereafter amended from time to time.

2.9 Committee.

“Committee” shall mean the Administrative Committee described in Article IX hereof.

2.10 Company.

“Company” shall mean Mattel, Inc., or any successor thereof, if its successor shall adopt this Plan.

2.11 Company Contributions.

“Company Contributions” shall mean amounts paid by a Participating Company into the Trust Fund in accordance with Section 6.1(a).

2.12 Company Matching Contributions.

“Company Matching Contributions” shall mean amounts paid by a Participating Company into the Trust Fund in accordance with Section 6.1(c).

2.13 Company Stock.

“Company Stock” shall mean whichever of the following is applicable:

(a) So long as the Company has only one class of stock, that class of stock.

(b) In the event the Company at any time has more than one class of stock, the class (or classes) of the Company’s stock constituting “employer securities” as that term is defined in Section 409(1) of the Code.

2.14 Compensation.

(a) “Compensation” shall mean the full salary and wages (including overtime, shift differential, tips and holiday, vacation and sick pay) and other compensation paid by a Participating Company during a Plan Year by reason of services performed by an Employee, including amounts deducted pursuant to authorization by an Employee or pursuant to requirements of law (including amounts of salary or wages deferred in accordance with the provisions of Section 5.1 and which qualify for treatment under Code Section 401(k) or amounts deducted pursuant to Code Section 125, 129 or 132(f)(4)) except as specifically provided to the contrary elsewhere in this Plan. Compensation shall not include any of the following:

(i) Fringe benefits and contributions by the Participating Company to, and benefits under, any employee benefit plan;

(ii) Amounts paid or payable by reason of services performed during any period in which an Employee is not a Participant under the Plan;

(iii) Amounts deferred by the Employee pursuant to non-qualified deferred compensation plans, regardless of whether such amounts are includable in the Employee’s gross income for his current taxable year;

(iv) Amounts included in any Employee’s gross income with respect to life insurance as provided by Code Section 79; and

(v) Amounts paid to Employees as “bonuses.”

(b) To the extent permitted by Code Section 415(c)(3), in the case of a Participant who ceases actively to perform services for a Participating Company prior to January 1, 1989 because such person has sustained a Total and Permanent Disability, such Participant shall be deemed to have “Compensation” to the extent provided in the provisions of Section 8.17(d), for the limited purposes of determining the amount of certain contributions to this Plan.

(c) The term "Compensation," for purposes of Article XIV of this Plan shall be as defined in this subsection (c) and shall mean wages as defined in Section 3401(a) and all other payments of compensation to an Employee by the Company (in the course of the Company's trade or business) for which the Company is required to furnish the Employee a written statement under Code Sections 6041(d), 6051(a)(3) and 6052. Compensation for purposes of this subsection (c) shall be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)). "Compensation" for purposes of this subsection (c), shall include any elective deferral (as defined in Code Section 402(g)) and any amount which is contributed or deferred by a Participating Company at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 125 or 132(f)(4). Effective for Plan Years beginning on and after January 1, 2008, Compensation for purposes of this subsection (c) shall include Compensation paid after the date of the Employee's severance from employment with the Company, provided such Compensation is paid by the later of (i) 2-1/2 months after the date of the Employee's severance from employment, or (ii) the last day of the Plan Year that includes such date of severance from employment, to the extent required by Treasury Regulation Section 1.415(c)-2(e)(3).

(d) In the event that this Plan is deemed a Top-Heavy Plan as set forth in Article XVII, the term "Compensation" shall not include amounts excluded by reason of and to the extent provided by Sections 17.1 and 17.2.

(e) Effective for Plan Years commencing on and after January 1, 2002, the "Compensation" of any Employee taken into account under the Plan for any Plan Year shall not exceed \$200,000 (or such adjusted amount as may be prescribed for such Plan Year pursuant to Section 401(a)(17) of the Code which amount is equal to \$245,000 for the Plan Year beginning January 1, 2011).

2.15 Deferral Limitation .

"Deferral Limitation" shall mean the dollar limitation on the exclusion of elective deferrals from a Participant's gross income under Section 402(g) of the Code, as in effect with respect to the taxable year of the Participant, or such greater limitation on the exclusion of elective deferrals permitted under Section 5.2(d) and Section 414(v) of the Code, if applicable.

2.16 Distributable Benefit .

"Distributable Benefit" shall mean the vested interest of a Participant in this Plan which is determined and distributable in accordance with the provisions of Article VIII.

2.17 Early Retirement Date .

“Early Retirement Date” shall mean the later of the Participant’s 55th birthday or the date on which the Participant completes three Years of Service.

2.18 Effective Date.

“Effective Date” shall mean November 1, 1983, which shall be the original effective date of this Plan. The effective date of this amendment and restatement is January 1, 2011.

2.19 Eligible Employee.

“Eligible Employee” shall include any individual who is at least age twenty (20) and is employed by a Participating Company, except as otherwise provided in this paragraph. The following individuals shall not be Eligible Employees under the Plan:

(a) effective as of April 1, 2011, any Employee of American Girl, Inc. who is designated on the payroll system in the separate employment classification (distinct from regular full-time or part-time), of “Temporary Variable,” which designation applies to Employees who are members of the substitute workforce of American Girl, Inc.

(b) any Employee who is covered by a collective bargaining agreement to which a Participating Company is a party if there is evidence that retirement benefits were the subject of good faith bargaining between the Participating Company and the collective bargaining representative, unless the collective bargaining agreement provides for coverage under this Plan,

(c) any Employee who is a Leased Employee,

(d) any Employee who is an intern, toy tester, department aide or associate retail services, or

(e) any Employee who is employed outside of the United States who has been transferred to the United States for a period of less than twelve (12) months, or

(f) any person who is classified by a Participating Company as being in one or more of the following ineligible categories, even if the Participating Company’s classification is incorrect or the person is otherwise determined to be a common law employee of the Participating Company:

(i) Project Employees—persons who the Participating Company classifies as employed to work on discrete projects or creative matters, or the equivalent (such as students or interns), except to the extent the Participating Company, by written notice, elects to extend Plan participation to them;

(ii) Persons Waiving Participation—persons to whom the Participating Company did not extend the opportunity of participating in this Plan, and who, as determined by the Participating Company, agreed to such nonparticipation status;

(iii) Persons Not Classified As Employees for Tax Purposes—persons who the Participating Company does not classify as Employees for federal tax purposes, as evidenced by its failure to withhold employment and income taxes from their compensation, including, without limitation, independent contractors, consultants, persons working for a nonparticipating employer that provides goods or services (including temporary employee services) to the Participating Company, and persons working for an entity for whom the Participating Company provides goods or services;

(iv) Non-Employees Taken into Account for Discrimination Testing or Other Statutory Purposes—persons who are not classified by the Participating Company as its Employees, but who must be taken into account in testing this Plan for discrimination or for other statutory purposes; or

(v) Employees on Terminal Leave—persons who the Participating Company has determined to have permanently ceased to render active services but who it continues to treat as employees for certain purposes, except to the extent the Participating Company, by written notice, elects to extend Plan participation to them.

(g) any Employee employed by a division, organizational unit or classification of employees of a Participating Company to which the Plan has not been extended.

2.20 Employee.

(a) “Employee” shall mean each person currently employed in any capacity by the Company or Affiliated Company any portion of whose income is subject to withholding of income tax and/or for whom Social Security contributions are made by the Company. The term “Employee” also includes a Leased Employee to the extent required by Code Section 414(n).

(b) Although Eligible Employees are the only class of Employees eligible to participate in this Plan, the term “Employee” is used to refer to persons employed in a non-Eligible Employee capacity as well as Eligible Employee category. Thus, those provisions of this Plan that are not limited to Eligible Employees, such as those relating to Hours of Service, apply to both Eligible and non-Eligible Employees.

2.21 Employment Commencement Date.

“Employment Commencement Date” shall mean each of the following:

(a) The date on which an Employee first performs an Hour of Service in any capacity for the Company or an Affiliated Company with respect to which the Employee is compensated or is entitled to compensation by the Company or the Affiliated Company.

(b) In the case of an Employee who has a one-year Period of Severance and who is subsequently reemployed by the Company or an Affiliated Company, the term “Employment Commencement Date” shall also mean the first day following such one-year Period of Severance on which the Employee performs an Hour of Service for the Company or an Affiliated Company with respect to which he is compensated or entitled to compensation by the Company or Affiliated Company.

2.22 ERISA .

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.23 Fort Wayne Plan .

“Fort Wayne Plan” shall mean the Mattel-Fort Wayne Hourly 401(k) Plan, which was merged with and into this Plan effective December 15, 2000.

2.24 F-P Savings Plan .

“F-P Savings Plan” shall mean the Fisher-Price, Inc. Matching Savings Plan, which was merged with and into this Plan effective April 1, 1997.

2.25 Governance Committee .

“Governance Committee” shall mean the Governance and Social Responsibility Committee of the Board of Directors.

2.26 Highly Compensated Employee .

(a) “Highly Compensated Employee” shall mean any Employee who performs services for the Company or an Affiliated Company during the Determination Year (as defined below) and who:

(i) was at any time during the Determination Year or the Look Back Year a five percent (5%) owner as defined in Section 17.3; or

(ii) for the Look Back Year:

- (A) received Compensation from the Company or an Affiliated Company in excess of eighty thousand dollars (\$80,000) (adjusted for any cost-of-living increase as permitted by Section 414(q) of the Code, equal to \$110,000 in 2011); and
- (B) was in the “top-paid group.”

The determination of which Employees are Highly Compensated Employees shall be made in accordance with the provisions of Section 414(q) of the Code.

(b) Determination of a Highly Compensated Employee shall be in accordance with the following definitions and special rules:

(i) “Determination Year” means the Plan Year for which the determination of Highly Compensated Employee is being made.

(ii) “Look Back Year” is the twelve (12) month period preceding the Determination Year.

(iii) An Employee shall be treated as a 5% owner for any Determination Year or Look Back Year if at any time during such year such Employee was a 5% owner (as defined in Section 17.3).

(iv) An Employee is in the “top-paid group” of Employees for any Determination Year or Look Back Year if such Employee is in the group consisting of the top twenty percent (20%) of the Employees when ranked on the basis of Compensation paid during such Year.

(v) For purposes of this Section the term “Compensation” means Compensation as defined in Code Section 415(c)(3), as set forth in Section 2.15(c), without regard to the limitations of Section 2.15(e); provided, however, the determination under this Paragraph (v) shall be made without regard to Code Sections 125, 132(f)(4), 402(a)(8), and 401(h)(1)(B), and in the case of Participant contributions made pursuant to a salary reduction agreement, without regard to Code Section 403(b).

(vi) For purposes of determining the number of Employees in the “top-paid” group under this Section, the following Employees shall be excluded:

- (A) Employees who have not completed six (6) months of service,
- (B) Employees who normally work less than 17 1/2 hours per week,
- (C) Employees who normally work not more than six (6) months during any Plan Year, and
- (D) Employees who have not attained age 21,

(E) Except to the extent provided in Treasury Regulations, Employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between Employee representatives and the Company, and

(F) Employees who are nonresident aliens and who receive no earned income (within the meaning of Code Section 911 (d)(2)) from the Company which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)).

The Company may elect to apply Subparagraphs (A) through (D) above by substituting a shorter period of service, smaller number of hours or months, or lower age for the period of service, number of hours or months, or (as the case may be) than as specified in such Subparagraph.

(vii) A former Employee shall be treated as a Highly Compensated Employee if

(A) such Employee was a Highly Compensated Employee when such Employee separated from service, or

(B) such Employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

(viii) Code Sections 414(b), (c), (m) and (o) shall be applied before the application of this Section. Also, the term "Employee" shall include Leased Employees unless such Leased Employee is covered under a "safe harbor" plan of the leasing organization and not covered under a qualified plan of the Affiliated Company.

(c) To the extent permissible under Code Section 414(q), the Committee may determine which Employees shall be categorized as Highly Compensated Employees by applying a simplified method and calendar year election prescribed by the Internal Revenue Service.

2.27 Hour of Service.

(a) "Hour of Service" of an Employee shall mean the following:

(i) Each hour for which the Employee is paid by the Company or an Affiliated Company or entitled to payment for the performance of services as an Employee.

(ii) Each hour in or attributable to a period of time during which the Employee performs no duties (irrespective of whether he has terminated his Employment) due to a vacation, holiday, illness, incapacity (including pregnancy or disability), layoff, jury duty, military duty or an authorized leave of absence, for which he is paid or entitled to payment, whether direct or indirect. However, no such hours shall be credited to an Employee if such Employee is directly or

indirectly paid or entitled to payment for such hours and if such payment or entitlement is made or due under a plan maintained solely for the purpose of complying with applicable workmen's compensation, unemployment compensation or disability insurance laws or is a payment which solely reimburses the Employee for medical or medically related expenses incurred by him.

(iii) Each hour for which he is entitled to back pay, irrespective of mitigation of damages, whether awarded or agreed to by the Company or an Affiliated Company, provided that such Employee has not previously been credited with an Hour of Service with respect to such hour under paragraphs (i) or (ii) above.

(b) Hours of Service under Subsections (a)(ii) and (a)(iii) shall be calculated in accordance with Department of Labor Regulation 29 C.F.R. § 2530.200b-2(b). Hours of Service shall be credited to the appropriate computation period according to the Department of Labor Regulation § 2530.200b-2(c). However, an Employee will not be considered as being entitled to payment until the date when the Company or the Affiliated Company would normally make payment to the Employee for such Hour of Service.

2.28 HPIP.

"HPIP" shall mean the Mattel, Inc. Hourly Personal Investment Plan, which was merged with and into this Plan effective as of March 31, 2011.

2.29 Investment Manager.

"Investment Manager" means the one or more Investment Managers, if any, that are appointed pursuant to Section 9.3.

2.30 Leased Employee.

"Leased Employee" means any individual who is not an employee of any Affiliated Company but who performs services for an Affiliated Company, where:

(a) such services are provided pursuant to an agreement between the member and any other person (the "leasing organization");

(b) the individual has performed such services for the Affiliated Company, or for the Affiliated Company and any "related persons" determined under Section 414(n)(6) of the Code, on a substantially full-time basis for a period of at least one (1) year; and

(c) such services are performed under the primary direction or control of the recipient.

2.31 Normal Retirement .

“Normal Retirement” shall mean a Participant’s termination of employment on or after attaining the Plan’s Normal Retirement Date.

2.32 Normal Retirement Date .

“Normal Retirement Date” shall be the Participant’s sixty-fifth birthday.

2.33 Participant .

“Participant” shall mean any Eligible Employee who has satisfied the participation eligibility requirements set forth in Section 3.1 and has begun participation in this Plan in accordance with the provisions of Section 3.2.

2.34 Participation Commencement Date .

“Participation Commencement Date” shall mean the day on which an Employee’s participation in this Plan may commence in accordance with the provisions of Article III.

2.35 Participating Company .

“Participating Company” shall mean Mattel, Inc., Mattel Sales, Corp. and each other Affiliated Company (or similar entity) that has been granted permission by the Board of Directors to participate in this Plan, provided that contributions are being made hereunder for the Employees of such Participating Company. Permission to become a Participating Company shall be granted under such conditions and upon such conditions as the Board of Directors deems appropriate. Appendix A lists some of the Participating Companies and the dates they became Participating Companies under the Plan.

2.36 Period of Severance .

“Period of Severance” shall mean the period of time commencing on the Participant’s Severance Date and continuing until the first day, if any, on which the Participant completes one or more Hours of Service following such Severance Date.

2.37 Plan.

“Plan” shall mean the Mattel, Inc. Personal Investment Plan herein set forth, and as it may be amended from time to time.

2.38 Plan Administrator.

“Plan Administrator” shall mean the administrator of the Plan, within the meaning of Section 3(16)(A) of ERISA. The Plan Administrator shall be Mattel, Inc.

2.39 Plan Year.

“Plan Year” shall mean the twelve consecutive month period ending each December 31.

2.40 Pleasant Plan.

“Pleasant Plan” shall mean the Pleasant Company Retirement Savings Plan, which was merged with and into this Plan effective October 1, 2001.

2.41 PrintPaks Plan.

“PrintPaks Plan” shall mean the PrintPaks, Inc. 401(k) Plan, which was merged with and into this Plan effective June 30, 2000.

2.42 Severance Date.

“Severance Date” shall mean the earlier of (a) the date on which an Employee quits, retires, is discharged, or dies; or (b) the first anniversary of the first date of a period in which an Employee remains absent from service (with or without pay) with the Company or an Affiliated Company for any reason other than quit, retirement, discharge or death (such as vacation, holiday, sickness, disability, leave of absence or layoff).

In the case of an Employee who has a maternity or paternity absence described in Code Sections 410(a)(5)(E) and 411(a)(6)(E), the Employee’s Period of Severance will begin on the second anniversary of the date the Employee is first absent for a maternity or paternity leave, provided the Employee does not perform an Hour of Service during such period. The first one-year period of the absence will be included in the Employee’s period of service and the second one-year period is neither part of the period of service nor part of the Period of Severance. The

Committee may require that the Employee furnish such timely information as the Committee may reasonably require to establish that the absence from work is for such a maternity or paternity absence, and the number of days for which there was such an absence.

2.43 Total and Permanent Disability.

Effective on and after January 1, 2011, an individual shall be considered to be suffering from a Total and Permanent Disability (a) if he is “disabled” or suffering a “disability” as defined in the long-term disability plan or program maintained by the Company and in which the Participant is eligible to participate or, (b) if the Participant is not eligible to participate in the long-term disability plan or program maintained by the Company, as determined by the Committee, in accordance with the definition of “disability” under the Company’s long-term disability plan. The rules of this Section shall be applied by the Committee in accordance with Treasury Regulations, if any, promulgated under Code Section 415 or Code Section 22(e)(3).

2.44 Trust or Trust Fund.

“Trust” or “Trust Fund” shall mean the one or more trusts created for funding purposes under the Plan.

2.45 Trustee.

“Trustee” shall mean the corporation appointed by the Company to act as Trustee of the Trust Fund, or any successor or other corporation acting as a trustee of the Trust Fund.

2.46 Tyco Plan.

“Tyco Plan” shall mean the Tyco Toys, Inc. 401(k) Savings Plan, which was merged with and into this Plan effective January 2, 1998.

2.47 Tyco Retirement Plan.

“Tyco Retirement Plan” shall mean the Tyco Manufacturing Retirement Plan which was terminated effective as of December 31, 2006.

2.48 Valuation Date.

“Valuation Date” shall mean each day on which the United States financial markets are open for the normal transaction of business.

2.49 Year of Service .

“Year of Service” means three hundred sixty five (365) days included in a period of service recognized under this Section 2.50.

(a) Subject to the succeeding provisions of this Section 2.50, a Participant shall be credited with a period of service equal to the elapsed time between his Employment Commencement Date and his subsequent Severance Date.

(b) A Participant additionally shall receive credit for a Period of Severance in computing his service hereunder if such Participant completes an Hour of Service prior to the first anniversary of his Severance Date. Except as provided in this Section 2.50(b), a Period of Severance shall not be included in a Participant’s period of service hereunder.

(c) If a Participant who does not have any vested interest in his accounts under the Plan has five (5) consecutive one-year Periods of Severance, any prior period of service shall be disregarded for all purposes of the Plan. Periods of service credited under this Section 2.50 before such five (5) consecutive one-year Periods of Severance shall not include any period or periods of service that are not required to be taken into account under this Section 2.50(c) by reason of any prior Periods of Severance.

(d) The number of a Participant’s Years of Service for vesting shall be determined by reference to each three hundred sixty five day period of service recognized under this Section 2.50, whether or not consecutive.

(e) Notwithstanding any other provision of this Plan, service performed by Employees for employers other than the Company or Affiliated Companies may be taken into account in computing service for any purpose of this Plan to the extent and in the manner determined by resolution of the Committee in its sole discretion.

(f) Notwithstanding any other provision of this Plan, service performed for an Affiliated Company prior to such entity becoming an Affiliated Company may be taken into account for purposes of computing service for any purpose of this Plan to the extent and in the manner determined by resolution of the Board of Directors of the Company in its sole discretion.

(g) In the case of a Participant who was actively employed by Tyco Toys, Inc. or its affiliates on the date of acquisition of Tyco Toys, Inc. by the Company, service performed by such Participant for Tyco Toys, Inc. and its affiliates for periods prior to the date of such acquisition shall be taken into account for purposes of determining such Participant’s vested interest in his Accounts under this Plan.

(h) In the case of a Participant who was actively employed by PrintPaks, Inc. or its affiliates on the date of acquisition of PrintPaks, Inc. by the Company, service performed by such Participant for PrintPaks, Inc. and its affiliates for periods prior to the date of such acquisition shall be taken into account for purposes of determining such Participant’s vested interest in his Accounts under this Plan.

(i) In the case of a Participant who was actively employed by Pleasant Company or its affiliates on the date of acquisition of Pleasant Company by the Company, service performed by such Participant for Pleasant Company and its affiliates for periods prior to the date of such acquisition shall be taken into account for purposes of determining such Participant's vested interest in his Accounts under this Plan.

ARTICLE III ELIGIBILITY AND PARTICIPATION

3.1 Eligibility to Participate .

(a) Every Eligible Employee who is not an American Girl Retail Store Employee shall be eligible to participate in the Plan on the date he becomes an Eligible Employee. Every Eligible Employee who is an American Girl Retail Store Employee shall be eligible to participate in the Plan on the later of (i) the date he becomes an Eligible Employee and (ii) the date he completes a period of service, recognized under the definition of "Year of Service," of ninety (90) days.

(b) If a Participant ceases to be an Eligible Employee, he shall again become eligible to participate in the Plan on the date he again becomes an Eligible Employee.

(c) Notwithstanding the preceding rules of this Section 3.1, the actual date upon which an Employee will commence participation will be determined pursuant to the rules of Section 3.2.

3.2 Commencement of Participation .

(a) Each Eligible Employee who had become a Participant in the Plan prior to the Effective Date of this restatement shall continue to participate in the Plan from and after such date.

(b) Each Eligible Employee shall be entitled to commence participation in this Plan with respect to Company Contributions, Before-Tax Contributions, Company Matching Contributions and After-Tax Contributions as of the date he satisfies the eligibility requirements of Section 3.1.

(c) The Committee may prescribe such rules as it deems necessary or appropriate regarding times and procedures for Participants to make elections to contribute a portion of Compensation as provided in Section 5.1.

3.3 Historical Participation Dates .

(a) From January 1, 1987 to June 30, 1988, each Eligible Employee shall be entitled to commence Before-Tax Contributions, After-Tax Contributions and related Company Matching Contributions on the January 1 after the Employee's Employment Commencement Date.

(b) Effective July 1, 1988, each Eligible Employee shall be entitled to commence After-Tax Contributions and related Company Matching Contributions as of the date he becomes an Eligible Employee.

(c) Effective January 1, 1989, each Eligible Employee shall be entitled to commence Before-Tax Contributions and related Company Matching Contributions as of the date he becomes an Eligible Employee.

3.4 Former Participants in F-P Savings Plan.

Notwithstanding anything in this Article to the contrary, any individual who was a participant in the F-P Savings Plan on March 31, 1997 shall automatically become a Participant in this Plan effective as of April 1, 1997.

3.5 Former Participants in Tyco Plan.

Notwithstanding anything in this Article to the contrary, any individual who was a participant in the Tyco Plan on December 31, 1997, shall automatically become a Participant in this Plan effective as of January 1, 1998.

3.6 Former Participants in PrintPaks Plan.

Notwithstanding anything in this Article to the contrary, any individual who was a participant in the PrintPaks Plan on February 28, 1998, shall automatically become a Participant in this Plan effective as of March 1, 1998.

3.7 Former Participants in Pleasant Plan.

Notwithstanding anything in this Article to the contrary, any individual who was a participant in the Pleasant Plan on September 30, 2001, shall automatically become a Participant in this Plan effective as of October 1, 2001.

3.8 Former Tyco Retirement Plan.

Notwithstanding anything in this Article to the contrary, any individual who was a participant in the Tyco Retirement Plan as of December 31, 2006, the date such plan was terminated, whose accounts under the Tyco Retirement Plan were transferred to this Plan (either by election of the individual or by default), shall automatically become a Participant in this Plan effective as of the date such assets are transferred from the Tyco Retirement Plan; provided that, such Participant shall not be permitted to make Employee contributions in accordance with Article V or receive Company Contributions or Company Matching Contributions in accordance with Article VI unless the individual is an Eligible Employee who would otherwise be a Participant under the Plan in the absence of the provisions of this Section 3.8.

3.9 Former HPIP.

Notwithstanding anything in this Article to the contrary, any individual who was a participant in the HPIP as of March 31, 2011, shall automatically become a Participant in this Plan effective as of April 1, 2011; provided that, an Employee of American Girl, Inc. who participated in the HPIP as of March 31, 2011 shall not be permitted to make Employee contributions in accordance with Article V or receive Company Contributions or Company Matching Contributions in accordance with Article VI unless the individual is an Eligible Employee who would otherwise be a Participant under the Plan in the absence of the provisions of this Section 3.8.

ARTICLE IV TRUST FUND

4.1 Trust Fund.

(a) The Company has entered into a Trust Agreement for the establishment of a Trust to hold the assets of the Plan.

(b) The Trust Fund is authorized to invest in either Company Stock or such other assets as the Committee or the Investment Manager (if applicable) may direct. Participants may direct the investment of the assets in their Accounts in the Trust Fund from among the acceptable investment alternatives which the Committee may from time to time make available. The Committee shall provide Participants with such alternative investment election options and such information regarding the investment alternatives available under the Plan as shall be necessary to comply with the regulations issued by the Department of Labor pursuant to ERISA Section 404(c).

(c) The Committee shall not be required to engage in any transaction, including without limitation, directing the purchase or sale of Company Stock, which it determines in its sole discretion, might tend to subject itself, its members, the Plan, the Company, or any Participant to liability under federal or state securities law.

4.2 Investment and Application of Plan Contributions.

(a) Subject to the provisions of Section 4.1(b), all contributions to the Trust Fund under Section 6.1 (including Before-Tax Contributions) and Participant After-Tax Contributions under Section 5.1 shall be invested as provided in this Section 4.2, subject to such rules as the Committee may adopt, in its sole discretion, to implement the provisions of this Section 4.2. The Committee may establish a choice of investment alternatives for Accounts from which each Participant may select in determining the manner in which his Account will be invested. In its sole discretion, the Committee may establish an investment alternative consisting of Company Stock.

(b) If investment alternatives are established in accordance with this Section 4.2, the following provisions of this Section 4.2 shall apply, including, in the event the Committee establishes a Company Stock alternative, the limitations of (iv) below and the provisions of Article X relating to investments in Company Stock.

(i) A Participant may elect at any time to change an investment election with respect to the allocation of future contributions made by him or on his behalf (such election to apply to all such contributions without regard to any distinction between Company contributions or Participant contributions) among the investment alternatives. The Committee may require at least thirty (30) days notice prior to the commencement of the payroll period for which such change is to be effective. Any such election shall be made in any whole percentage, subject to the provisions of Subsection (iv) below.

(ii) Separate Trust Fund subaccounts shall be established for each investment alternative selected by a Participant, and each such subaccount shall be valued separately.

(iii) A Participant may elect at any time to change the investment of his Accounts and reallocate such Accounts among the investment alternatives in any whole percentage, subject to the limitations of this paragraph and (iv) below. Subject to such rules as the Committee may prescribe, any such election to change shall be effective as soon as practical following receipt of the Participant's election. Any such change shall be implemented by the Committee in accordance with practices and procedures established by the Committee to provide for the orderly liquidation and/or purchase of investments. Notwithstanding the foregoing, the Company may restrict the frequency or timing of trades in or out of one or more investment alternatives by a Participant, to the extent the Committee deems necessary or appropriate.

(iv) If a Company Stock alternative is established by the Committee, each Participant may elect to invest up to a maximum of twenty-five percent (25%) (fifty percent (50%) prior to April 3, 2006) of contributions made by him or on his behalf (such limitation to apply to all contributions without regard to any distinction between Company contributions and Participant contributions) in the Company Stock alternative in accordance with this Section 4.2. Such a Participant may also elect to transfer amounts from his Accounts held in other investment alternatives to the Company Stock alternative in accordance with this Section 4.2, provided, however, that no such transfer shall be implemented to the extent that such transfer would result in the value of the Participant's interest in the Company Stock Fund exceeding twenty-five percent (25%) (fifty percent (50%) prior to April 3, 2006) of the value of his interest in all investment alternatives held under the Plan. Notwithstanding the preceding sentence, neither the Company nor the Committee, nor any representative of the Company, the Committee or of the Plan shall have any obligation to monitor the value of a Participant's interest in the Company Stock Fund, or to manage said fund, and no person shall or shall have any authority to dispose of any Participant's interest in the Company Stock Fund except in accordance with a Participant's valid election or otherwise in accordance with express provisions of this Plan.

(v) In the case of a Participant who fails to make an effective election, for any reason whatsoever, as to how all or any portion of his interest therein shall be invested, the Committee shall prescribe rules which shall require that the Accounts of such Participant be invested in a default fund selected by the Committee for such purpose.

4.3 Irrevocability.

A Participating Company shall have no right or title to, nor interest in, the contributions made to the Trust Fund, and no part of the Trust Fund shall revert to the Participating Company except that on and after the Effective Date funds may be returned to a Participating Company as follows:

(a) In the case of a Participating Company contribution which is made by a mistake of fact, that contribution may be returned to the Participating Company within one (1) year after it is made.

(b) All contributions to the Trust Fund are conditioned on deductibility under Code Section 404. In the event deduction is disallowed for any such contribution, such contribution may be returned to the Participating Company.

4.4 Company, Committee and Trustee Not Responsible for Adequacy of Trust Fund.

The Company, Committee and Trustee shall not be liable or responsible for the adequacy of the Trust Fund to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid only from the Trust assets, and neither the Company, the Committee nor the Trustee shall have any duty or liability to furnish the Trust with any funds, securities or other assets except as expressly provided in the Plan. Except as required under the Plan or Trust or under Part 4 of Title I of ERISA, the Company shall not be responsible for any decision, act or omission of the Trustee, the Committee, or the Investment Manager (if applicable), and shall not be responsible for the application of any moneys, securities, investments or other property paid or delivered to the Trustee.

ARTICLE V EMPLOYEE CONTRIBUTIONS

5.1 Employee Contributions .

(a) General. In accordance with rules which the Committee shall prescribe from time to time, each Participant shall be given an opportunity to elect to have a percentage of his or her Compensation contributed to the Plan. A contribution election by a Participant shall remain in effect from year to year (notwithstanding salary or wage rate changes) until changed by the Participant. Effective January 1, 1987, at the election of the Participant, contributions shall be made as Before-Tax Contributions, After-Tax Contributions or a combination thereof.

(b) Automatic Enrollment. Except as provided in Section 5.1(d), a Participant who has not elected to have Compensation reduced in accordance with Section 5.1(a) shall be deemed to have elected under Section 5.1(a) to have Compensation reduced by two percent (2%) beginning as soon as administratively practicable following the date the Eligible Employee becomes a Participant. Each affected Participant may elect at any time, in accordance with procedures established by the Committee or its designee, not to have Compensation so reduced, or to have Compensation reduced by a different percentage allowed under Section 5.2, which election shall become effective as soon as administratively practicable following receipt of the Participant election. Before-Tax Contributions made pursuant to this automatic election shall be invested in a default investment fund designated for such purpose by the Committee, unless the Participant elects to have such contributions invested otherwise in accordance with Article IV.

(c) Automatic Escalation. Unless a Participant elects otherwise and except as provided in Section 5.1(d), any affirmative election or deemed election to have Compensation reduced by less than six percent (6%) shall be automatically increased by one percent (1%), effective as soon as administratively practicable on or following the first April 1 that is at least 90 days after such initial affirmative or deemed deferral election and as soon as administratively practicable on or following each April 1 thereafter until such election has been increased to a deemed deferral election of six percent (6%) of Compensation.

(d) Exceptions to Automatic Provisions. The Committee may provide that certain divisions, organizational units or classifications of Employees will not be subject to the automatic enrollment provisions of Section 5.1(b) or the automatic escalation provisions of Section 5.1(c) and shall establish rules and procedures regarding such designations, which rules and related procedures shall be binding upon Participants.

5.2 Amount Subject to Election.

(a) Permitted Deferral Percent. Subject to the limitations of Article V, the amount of a Participant's Compensation that may be contributed subject to the election provided in Section 5.1 shall be a whole percentage of the Participant's Compensation, which percentage is not less than one percent (1%) nor more than (i) in the case of a Highly Compensated Employee, twenty percent (20%) or (ii) in the case of a Participant who is not a Highly Compensated Employee, eighty percent (80%).

(b) Effect of Deferral Limitation. No Participant shall be permitted to make Before-Tax Contributions in excess of the Deferral Limitation. Any election by a Participant to make Before-Tax Contributions shall be deemed to include an election to automatically substitute After-Tax Contributions for such Before-Tax Contributions, effective for the period starting on the date immediately following the date the Participant's Before-Tax Contributions for a calendar year equal the Deferral Limitation and ending on the immediately following December 31. In the event a Participant's Before-Tax Contributions exceed the Deferral Limitation, excess contributions shall be subject to the provisions of Section 5.6.

(c) Limitations Prescribed by the Committee. For purposes of satisfying one of the tests described under Section 5.4 and Section 6.3, the Committee may prescribe such rules as it deems necessary or appropriate regarding the maximum amount that a Participant may elect to contribute and the timing of such an election. These rules may prescribe a maximum percentage of Compensation that may be contributed, or may provide that the maximum percentage of Compensation that a Participant may contribute will be a lower percentage of his Compensation above a certain dollar amount of Compensation than the maximum deferral percentage below that dollar amount of Compensation. These rules shall apply to all individuals eligible to make the election described in Section 5.1, except to the extent that the Committee prescribes special or more stringent rules applicable only to Highly Compensated Employees.

(d) Catch-Up Contributions. Notwithstanding the foregoing, all Participants who are eligible to make Before-Tax Contributions under this Plan and who have attained age fifty (50) before the close of a Plan Year shall be eligible to make catch-up contributions during such Plan Year in accordance with, and subject to the limitations of, Code Section 414(v). Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Section

402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b) or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

5.3 Termination of, Change in Rate of, or Resumption of Deferrals .

(a) A Participant may at any time submit a request to the Committee to terminate his contributions, alter the rate of his contributions, or resume his contributions made pursuant to this Article V.

(b) A request for termination, alteration, or resumption or alteration of the rate of contributions shall be in a form satisfactory to the Committee and will be effective as soon as administratively possible. The Committee may require at least thirty (30) days notice prior to commencement of the payroll period for which such change is to be effective.

5.4 Limitation on Before-Tax Contributions by Highly Compensated Employees .

With respect to each Plan Year, Participant Before-Tax Contributions under the Plan for the Plan Year shall not exceed the limitations on contributions on behalf of Highly Compensated Employees under Section 401(k) of the Code, as provided in this Section. In the event that Before-Tax Contributions under this Plan on behalf of Highly Compensated Employees for any Plan Year exceed the limitations of this Section for any reason, such excess contributions and any income allocable thereto shall be returned to the Participant or recharacterized as Participant After-Tax Contributions, as provided in Section 5.5.

(a) The Before-Tax Contributions by a Participant for a Plan Year shall satisfy the Average Deferral Percentage test set forth in (i) below, or the alternative Average Deferral Percentage test set forth in (ii) below.

(i) The “Actual Deferral Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the “Actual Deferral Percentage” of all other Eligible Employees for the Comparison Year multiplied by 1.25, or

(ii) The excess of the “Actual Deferral Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year over the “Actual Deferral Percentage” for all other Eligible Employees for the Comparison Year shall not be more than two (2) percentage points, and the “Actual Deferral Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the “Actual Deferral Percentage” of all other Eligible Employees for the Comparison Year multiplied by 2.00.

The “Comparison Year” is the Plan Year being tested.

(b) For the purposes of the limitations of this Section 5.4, the following definitions shall apply:

(i) “ Actual Deferral Percentage ” means, with respect to Eligible Employees who are Highly Compensated Employees and all other Eligible Employees for a Plan Year, the average of the ratios, calculated separately for each Eligible Employee in such group, of the amount of Before-Tax Contributions under the Plan allocated to each Eligible Employee for such Plan Year to such Employee’s “Compensation” for such Plan Year. An Eligible Employee’s Before-Tax Contributions may be taken into account for purposes of determining his Actual Deferral Percentage for a particular Plan Year only if such Before-Tax Contributions relate to Compensation that either would have been received by the Eligible Employee in the Plan Year (but for the deferral election), or is attributable to services performed in the Plan Year and would have been received by the Eligible Employee within two and one-half (2 1/2) months after the close of the Plan Year (but for the deferral election), and such Before-Tax Contributions are allocated to the Eligible Employee as of a date within that Plan Year. For purposes of this rule, an Eligible Employee’s Before-Tax Contributions shall be considered allocated as of a date within a Plan Year only if (A) the allocation is not contingent upon the Eligible Employee’s participation in the Plan or performance of services on any date subsequent to that date, and (B) the Before-Tax Contribution is actually paid to the Trust no later than the end of the twelve month period immediately following the Plan Year to which the contribution relates. To the extent determined by the Committee and in accordance with regulations issued by the Secretary of the Treasury, contributions on behalf of an Eligible Employee that satisfy the requirements of Code Section 401(k)(3) (D)(ii) may also be taken into account for the purpose of determining the Actual Deferral Percentage of such Eligible Employee.

(ii) “ Compensation ” means Compensation determined by the Committee in accordance with the requirements of Section 414 (s) of the Code, including, to the extent elected by the Committee, amounts deducted from an Employee’s wages or salary that are excludable from income under Sections 125, 129, 132(f)(4) or 402(e)(3) of the Code.

(c) In the event that as of the last day of a Plan Year this Plan satisfies the requirements of Section 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans which include arrangements under Code Section 401(k), then this Section 5.4 shall be applied by determining the Actual Deferral Percentages of Eligible Employees as if all such plans were a single plan, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(d) For the purposes of this Section, the Actual Deferral Percentage for any Highly Compensated Employee who is a participant under two or more Code Section 401(k) arrangements of the Company or an Affiliated Company shall be determined by taking into account the Highly Compensated Employee's Compensation under each such arrangement and contributions under each such arrangement which qualify for treatment under Code Section 401(k), in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(e) For purposes of this Section, the amount of Before-Tax Contributions by a Participant who is not a Highly Compensated Employee for a Plan Year shall be reduced by any Before-Tax Contributions in excess of the Deferral Limitation which have been distributed to the Participant under Section 5.6, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(f) The determination and treatment of Before-Tax Contributions and the Actual Deferral Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury. The Committee shall keep or cause to have kept such records as are necessary to demonstrate that the Plan satisfies such requirements of Code Section 401(k) and the regulations thereunder.

(g) If on account of administrative error or otherwise any limitation of this Section 5.4 may be exceeded, the Committee shall cause to be taken such of the actions permitted by Section 5.5 and Section 5.6 as, and to the extent, it determines necessary so that the limitation shall be satisfied, which actions shall not include the contribution of qualified non-elective contributions.

5.5 Provisions for Disposition of Excess Before-Tax Contributions by Highly Compensated Employees .

(a) The Committee shall determine, as soon as is reasonably possible following the close of each Plan Year, the extent, if any, to which deferral treatment under Code Section 401(k) may not be available for Before-Tax Contributions by Highly Compensated Employees. If, pursuant to the determination by the Committee, any or all of a Participant's Before-Tax Contributions are not eligible for tax-deferral treatment, then any excess Before-Tax Contributions and any income for that Plan Year (and to the extent required by the Code, gains and income for the Plan Year in which distributed) allocable thereto shall be disposed of in accordance with (i) or (ii) below.

(i) To the extent permissible under Section 6.3, excess Before-Tax Contributions by the Highly Compensated Employee in a Plan Year may be recharacterized as After-Tax Contributions for the Plan Year not later than two and one-half (2-1/2) months following the close of the Plan Year. Any recharacterization shall be effective retroactive to the date of the Highly Compensated Employee's earliest Before-Tax Contributions during the Plan Year in which the excess Before-Tax Contributions were made. To the extent required by Treas. Reg. Section 1.401(k)-2(b)(3), Before-Tax Contributions recharacterized as After-Tax Contributions shall continue to be treated as Before-Tax Contributions for purposes of Article VIII.

(ii) To the extent a Participant's Before-Tax Contributions cannot be recharacterized in accordance with (i) above, any excess Before-Tax Contributions (and any income allocable thereto) in a Plan Year shall, if administratively feasible, be distributed to the Participant not later than two and one-half (2-1/2) months following the close of the Plan Year in which such excess Before-Tax Contributions were made, but in any event no later than the close of the first Plan Year following the Plan Year in which such excess Before-Tax Contributions were made after withholding any applicable income taxes due on such amounts.

(b) For purposes of this Section, the amount of excess Before-Tax Contributions to be distributed to a Participant for a Plan Year or recharacterized shall be reduced by the amount of any Before-Tax Contributions in excess of the Deferral Limitation (for the Participant's taxable year that ends with or within the Plan Year) which have been distributed to the Participant under Section 5.6, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(c) The Committee shall determine the aggregate amount of any excess Before-Tax Contributions by Highly Compensated Employees for a Plan Year by application of the leveling method set forth in Treasury Regulation Section 1.401(k)-2(b)(2)(ii) under which the Deferral Percentage of the Highly Compensated Employee who has the highest Deferral Percentage for such Plan Year is reduced to the extent required (i) to enable the Plan to satisfy the Actual Deferral Percentage test, or (ii) to cause such Highly Compensated Employee's Deferral Percentage to equal the Deferral Percentage of the Highly Compensated Employee with the next highest Deferral Percentage. The recharacterization or distribution (as the case may be) of any excess Before-Tax Contributions shall be made on the basis of the dollar amounts (rather than the individual Deferral Percentages) of the Before-Tax Contributions by Highly Compensated Employees, beginning with the highest such amount.

(d) For purposes of satisfying the Actual Deferral Percentage test, income allocable to a Participant's excess Before-Tax Contributions, as determined under (b) above, shall be determined in accordance with any reasonable method used by the Plan for allocating income to Participant Accounts, provided such method does not discriminate in favor of Highly Compensated Employees and is consistently applied to all Participants for all corrective distributions or recharacterizations under the Plan for a Plan Year. The Committee shall not be liable to any Participant (or his Beneficiary, if applicable) for any losses caused by misestimating the amount of any Before-Tax Contributions in excess of the limitations of this Article V and any income allocable to such excess.

(e) To the extent required by regulations under Section 401(k) or 415 of the Code, any excess Before-Tax Contributions with respect to a Highly Compensated Employee shall be treated as Annual Additions under Article XIV for the Plan Year for which the excess Before-Tax Contributions were made, notwithstanding the distribution or recharacterization of such excess in accordance with the provisions of this Section.

5.6 Provisions for Return of Annual Before-Tax Contributions in Excess of the Deferral Limitation.

(a) In the event that due to error or otherwise, a Participant's Before-Tax Contributions under this Plan exceed the Deferral Limitation for any calendar year (but without regard to amounts of compensation deferred under any other plan), excess Before-Tax Contributions for the Plan Year, if any, together with any income allocable to such amount for such Plan Year (and to the extent required by the Code, gains and income for the Plan Year in which distributed) shall be distributed to the Participant on or before the first April 15 following the close of the calendar year in which such excess contribution is made. The amount of excess Before-Tax Contributions that may be distributed to a Participant under this Section for any taxable year shall be reduced by any excess Before-Tax Contributions previously distributed or recharacterized in accordance with Section 5.5 for the Plan Year beginning with or within such taxable year. The Committee shall not be liable to any Participant or his Beneficiary, if applicable, for any losses caused by misestimating the amount of any Before-Tax Contributions in excess of the limitations of this Article V and any income allocable to such excess.

(b) If in any calendar year a Participant makes Before-Tax Contributions under this Plan and additional elective deferrals, within the meaning of Code Section 402(g)(3), under any other plan maintained by the Company or an Affiliated Company, and the total amount of the Participant's elective deferrals under this Plan and all such other plans exceed the Deferral Limitation, the Company and each Affiliated Company maintaining a plan under which the Participant made any elective deferrals shall notify the affected plans in writing, and corrective distributions of the excess elective deferrals, and any income allocable to such amount for such Plan Year (and, to the extent required by the Code, income allocable to such amount for the Plan Year in which distributed) shall be made from one or more such plans, to the extent determined by the Company and each Affiliated Company. The determination of the amount of a Participant's elective deferrals for any calendar year shall be made after applying the provisions of Section 14.5 relating to certain limits on Annual Additions under Section 415 of the Code. All corrective distributions of excess elective deferrals shall be made on or before the first April 15 following the close of the calendar year in which the excess elective deferrals were made.

(c) In accordance with rules and procedures as may be established by the Committee, a Participant may submit a claim to the Committee in which he certifies in writing the specific amount of his Before-Tax Contributions for the preceding calendar year which, when added to amounts deferred for such calendar year under any other plans or arrangements described in Section 401(k), 408(k) or 403(b) of the Code (other than a plan maintained by the Company or an Affiliated Company), will cause the Participant to exceed the Deferral Limitation for the calendar year in which the deferral occurred. Any

such claim must be submitted to the Committee no later than the March 1 of the calendar year following the calendar year of deferral. To the extent the amount specified by the Participant does not exceed the amount of the Participant's Before-Tax Contributions under the Plan for the applicable calendar year, the Committee shall treat the amount specified by the Participant in his claim as a Before-Tax Contribution in excess of the Deferral Limitation for such calendar year and return such excess and any income allocable thereto to the Participant, as provided in (a) above. In the event that for any reason such Participant's Before-Tax Contributions in excess of the Deferral Limitation for any calendar year are not distributed to the Participant by the time prescribed in (a) above, such excess shall be held in the Participant's Before-Tax Contribution Account until distribution can be made in accordance with the provisions of this Plan.

(d) To the extent required by regulations under Section 402(g) or 415 of the Code, Before-Tax Contributions with respect to a Participant in excess of the Deferral Limitation shall be treated as Annual Additions under Article XIV for the Plan Year for which the excess contributions were made, notwithstanding the distribution of such excess in accordance with the provisions of this Section.

5.7 Character of Amounts Contributed as Before-Tax Contributions.

Unless otherwise specifically provided to the contrary in this Plan, amounts deferred pursuant to a Participant's election to make Before-Tax Contributions in accordance with Section 5.1 (and which qualify for treatment under Code Section 401(k) and are contributed to the Trust Fund pursuant to Article VI) shall be treated, for federal and state income tax purposes, as Participating Company contributions.

5.8 Rollover Contributions.

Effective as of an Eligible Employee's Employment Commencement Date, or such later date as may be determined by the Committee, amounts, if any, distributed to such Eligible Employee or payable to such Eligible Employee from another plan that satisfies the requirements of Code Section 401(a), or held in an individual retirement account which is attributable solely to a rollover contribution within the meaning of Code Section 408(d)(3), may be transferred to this Plan, including by direct rollover from another plan that satisfies the requirements of Code Section 401(a), and credited to the Participant's Transfer/Rollover Account in accordance with Code Section 402 and rules which the Committee shall prescribe from time to time; provided, however, the Committee determines that the continued qualification of this Plan under Code Section 401(a) or 401(k) would not be adversely affected by such transfer, or would cause this

Plan to become a “transferee plan,” within the meaning of Code Section 401(a)(11). Amounts, if any, distributed to such Eligible Employee or payable to such Eligible Employee from (i) a qualified plan described in Section 401(a) or 403(a) of the Code (including after-tax employee contributions), (ii) an annuity contract described in Section 403(b) of the Code (excluding after-tax employee contributions), (iii) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, and (iv) an individual retirement account or annuity described in Section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includable in gross income, may be transferred to this Plan and credited to the Participant’s Transfer/Rollover Account in accordance with Code Section 402 and rules which the Committee shall prescribe from time to time. Any amounts transferred in accordance with this Section 5.8, which shall be in cash, shall not be subject to distribution to the Participant except as expressly provided under the terms of this Plan.

5.9 Transfer From Fisher-Price or Tyco.

An Eligible Employee who prior to April 1, 1997 has transferred employment to the Company (or other Participating Company) from Fisher-Price, Inc., and who has elected to transfer directly to this Plan his entire account balance in the Fisher-Price, Inc. Matching Savings Plan in accordance with the terms of such plan, shall be permitted to transfer such account balance directly to this Plan. The transfer must be made in cash, except that any promissory note evidencing an outstanding loan to such Eligible Employee from the Fisher-Price, Inc. Matching Savings Plan may be transferred to this Plan in kind. Any transferred promissory note shall thereafter be repayable by the Participant to the Plan in accordance with its terms. Any amounts transferred from the Fisher-Price, Inc. Matching Savings Plan shall not be subject to distribution to the Participant except as expressly provided under the terms of this Plan.

Effective as of January 1, 2007, an individual who participated in the Tyco Retirement Plan as of December 31, 2006, the date such plan was terminated, shall be permitted to elect to transfer his entire account balance under the Tyco Retirement Plan directly to this Plan; provided that the value of such account equals or exceeds \$1,000 as of the date established by the Committee for such purpose. In the event such individual either (i) is an active Employee of the Company or any Affiliated Company as of December 31, 2006 or (ii) fails to make any election

with respect to his Tyco Retirement Plan account, such account shall automatically be transferred directly to this Plan; provided that the value of such account equals or exceeds \$1,000 as of the date established by the Committee for such purpose. In the event such transfer of assets is made on behalf of an individual, such individual shall become a Participant as provided in Section 3.8 and any amount so transferred shall be credited to such Participant's Tyco Retirement Plan Account.

ARTICLE VI COMPANY CONTRIBUTIONS

6.1 General.

Subject to the requirements and restrictions of this Article VI and Article XIV, and subject also to the amendment or termination of the Plan or the suspension or discontinuance of contributions as provided herein, a Participating Company shall contribute for each Participant who is an Employee of such Participating Company, as follows:

(a) Company Automatic Contributions. In the case of a Participating Company other than Fisher-Price, Inc., for each month of each Plan Year commencing on and after April 1, 1997 (July 1, 2003 for Employees of the American Girl, Inc. Participating Company), an amount to the Participant's Company Contributions Account equal to a percentage of the Participant's Compensation during such month according to the Participant's attained age as of the last day of the preceding month, as follows:

<u>Age as of Last Day of Preceding Month</u>	<u>Percentage of Compensation</u>
Under 30	3%
30 – 39	4%
40 – 44	5%
45 – 49	6%
50 – 54	7%
55+	8%

Notwithstanding the foregoing, effective on and after January 1, 2012, an Eligible Employee of Fisher Price Inc. who is not permitted to participate in the Fisher Price Pension Plan (or any successor plan) on or after January 1, 2012 due to the freezing of participation under that plan, shall be eligible to receive a Company Contribution allocation in accordance with this Section 6.1(a) which contribution shall be allocated to Participant Accounts as soon as administratively practicable following the end of the month for which such Company Contribution is due. An Eligible Employee of Fisher Price Inc. who is eligible to receive Company Contributions as of January 1, 2012 shall

receive a Company Contribution allocation no later than March 31, 2012 equal to the sum of the monthly Company Contributions that would have been earned from the date such Eligible Employee became a Participant in the Plan through December 31, 2011 if such Participant had been eligible to receive Company Contributions for such period, adjusted for interest at a rate of 4% per annum from the date the Company Contribution would have been allocated to the Participant's Account to the date the Company Contribution is actually allocated to the Participant's Account.

(b) Employee Before-Tax Contributions. An amount to the Participant's Before-Tax Contributions Account which is equal to the amount of the Participant's Before-Tax Contributions pursuant to Section 5.1 and which qualify for tax treatment under Code Section 401 (k).

(c) Company Matching Contributions. An amount to the Participant's Company Matching Account which is the sum of the amounts in (i) and (ii) below:

(i) A dollar amount equal to the dollar amount of the first two percent (2%) of the sum of a Participant's Before-Tax and After-Tax Contributions pursuant to Section 5.1.

(ii) A dollar amount equal to 50% of the dollar amount of the next four percent (4%) of the sum of a Participant's Before-Tax and After-Tax Contributions pursuant to Section 5.1.

The maximum Company Matching Contribution pursuant to this Section 6.1(c) shall be four percent (4%) of the Participant's Compensation (such Compensation to be determined prior to reduction for Before-Tax Contributions pursuant to Section 5.1).

6.2 Requirement for Net Profits.

Contributions by a Participating Company shall be made without regard to current or accumulated profits for the year; provided, however, that the Plan is intended to be designed to qualify as a profit sharing plan for purposes of Sections 401(a) et. seq. of the Code.

6.3 Special Limitations on After-Tax Contributions and Company Matching Contributions.

With respect to each Plan Year, After-Tax Contributions and Company Matching Contributions under the Plan for the Plan Year shall not exceed the limitations on contributions on behalf of Highly Compensated Employees under Section 401(m) of the Code, as provided in this Section. For purposes of this Section, excess Before-Tax Contributions recharacterized as After-Tax Contributions after the close of a Plan Year shall be treated as After-Tax Contributions

in a Plan Year as provided in Section 5.5(a)(i). In the event that After-Tax Contributions and Company Matching Contributions under this Plan on behalf of Highly Compensated Employees for any Plan Year exceed the limitations of this Section for any reason, such excess contributions and any income allocable thereto shall be disposed of in accordance with Section 6.4. For purposes of this Section 6.3, the meaning of the term "Compensation" shall be as defined in Section 5.4(b).

(a) After-Tax Contributions and Company Matching Contributions on behalf of Participants under Section 6.1(c) for a Plan Year shall satisfy the Average Contribution Percentage test set forth in (i) below, or the Average Contribution Percentage test set forth in (ii) below:

(i) The "Average Contribution Percentage" for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the "Average Contribution Percentage" of all other Eligible Employees for the Comparison Year multiplied by 1.25, or

(ii) The excess of the "Average Contribution Percentage" for Eligible Employees who are Highly Compensated Employees for a Plan Year over the "Average Contribution Percentage" for all other Eligible Employees for the Comparison Year shall not be more than two (2) percentage points, and the "Average Contribution Percentage" for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the "Average Contribution Percentage" of all other Eligible Employees for the Comparison Year multiplied by 2.00.

The "Comparison Year" is the Plan Year being tested.

(b) For purposes of this Section, "Average Contribution Percentage" means, with respect to a group of Eligible Employees for a Plan Year, the average of the "Contribution Percentage," calculated separately for each Eligible Employee in such group. The "Contribution Percentage" for any Eligible Employee is determined by dividing the sum of After-Tax Contributions during the Plan Year and Company Matching Contributions under the Plan on behalf of each Eligible Employee for such Plan Year, by such Eligible Employee's Compensation for such Plan Year. "Company Matching Contributions" for purposes of the Average Contribution Percentage test shall include a Company Matching Contribution only if it is allocated to the Participant's Company Matching Contributions Account during the Plan Year and is paid to the Trust Fund by the end of the twelfth month following the close of the Plan Year. To the extent determined by the Committee and in accordance with regulations issued by the Secretary of the Treasury under Code Section 401(m)(3), the Before-Tax Contributions on behalf of an Eligible Employee and any "qualified nonelective contributions," within the meaning of Code Section 401(m)(4)(c), on behalf of an Eligible Employee may also be taken into account for purposes of calculating the Contribution Percentage of such Eligible Employee, but shall not otherwise be taken into account. However, any Company Matching Contributions taken into account for purposes of determining the Actual Deferral Percentage of an Eligible Employee under Section 5.4 (a) shall not be taken into account under this Section 6.3.

(c) In the event that as of the last day of a Plan Year this Plan satisfies the requirements of Section 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Section 410(b) of the Code only if aggregated with this Plan, then this Section 6.3 shall be applied by determining the Contribution Percentages of Eligible Employees as if all such plans were a single plan, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(m) of the Code.

(d) For the purposes of this Section, the Contribution Percentage for any Eligible Employee who is a Highly Compensated Employee under two or more Code Section 401(a) plans of the Company or an Affiliated Company to the extent required by Code Section 401(m), shall be determined in a manner taking into account the participant contributions and matching contributions for such Eligible Employee under each of such plans.

(e) The determination of the Contribution Percentage of any Participant shall be made after first applying the provisions of Section 14.5 relating to certain limits on Annual Additions under Section 415 of the Code, then applying the provisions of Section 5.6 relating to the return of Before-Tax Contributions in excess of the Deferral Limitation, then applying the provisions of Section 5.5 relating to certain limits under Section 401(k) of the Code imposed on Pre-Tax Contributions of Highly Compensated Employees, and last, applying the provisions of Section 6.5 relating to the forfeiture of Company Matching Contributions attributable to excess Before-Tax or After-Tax Contributions.

(f) The determination and treatment of the Contribution Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury. The Committee shall keep or cause to have kept such records as are necessary to demonstrate that the Plan satisfies the requirements of Code Section 401(m) and the regulations thereunder, in accordance with such regulations.

(g) If on account of administrative error or otherwise any limitation of this Section 6.3 may be exceeded, the Committee shall cause to be taken such of the actions permitted by Section 6.4 as, and to the extent, it determines necessary so that the limitation shall be satisfied, which actions shall not include the contribution of qualified non-elective contributions.

6.4 Provision for Return of Excess After-Tax Contributions and Company Matching Contributions on Behalf of Highly Compensated Employees.

(a) The Committee shall determine, as soon as is reasonably possible following the close of the Plan Year, the extent (if any) to which After-Tax and Company Matching Contributions on behalf of Highly Compensated Employees may cause the Plan to exceed the limitations of Section 6.3 for such Plan Year. If, pursuant to the determination by the Committee, After-Tax and Company Matching Contributions on behalf of a Highly Compensated Employee may cause the Plan to exceed such limitations, then the Committee shall take the following steps:

(i) First, any excess After-Tax Contributions that were not matched by Company Matching Contributions, and any income allocable thereto, shall be distributed to the Highly Compensated Employee (after withholding any applicable income taxes on such amounts).

(ii) Second, if any excess remains after the provisions of (i) above are applied, to the extent necessary to eliminate the excess, any excess After-Tax Contributions that were matched by Company Matching Contributions, and any income allocable thereto, shall be distributed to the Highly Compensated Employee (after withholding any applicable income taxes on such amounts). Any corresponding Company Matching Contributions on such refunded After-Tax Contributions shall be forfeited.

(iii) Third, if any excess remains after the provisions of (i) and (ii) above are applied, to the extent necessary to eliminate the excess, Company Matching Contributions on behalf of the Highly Compensated Employee, and any income allocable thereto, shall be forfeited, to the extent forfeitable under the Plan, or distributed to the Highly Compensated Employee, to the extent non-forfeitable under the Plan (after withholding any applicable income taxes on such amounts).

(iv) If administratively feasible, excess After-Tax Contributions and Company Matching Contributions which are nonforfeitable under the Plan, including any income allocable thereto, shall be distributed to Highly Compensated Employees, or, to the extent forfeitable, forfeited, within two and one-half (2-1/2) months following the close of the Plan Year for which the excess Contributions were made, but in any event no later than the end of the first Plan Year following the Plan Year for which the excess Contributions were made, notwithstanding any other provision in this Plan. Amounts of excess Company Matching Contributions forfeited by Highly Compensated Employees under this Section, including any income allocable thereto, shall be applied, to the maximum extent practicable, to reduce Company Matching Contributions for the Plan Year for which such excess Contributions were made and thereafter shall be applied as soon as possible to reduce Company Matching Contributions for succeeding Plan Years.

(b) The Committee shall determine the amount of any excess After-Tax Contributions and Company Matching Contributions made by or on behalf of Highly Compensated Employees for a Plan Year by application of the leveling method set forth in Treasury Regulation Section 1.401(m)-2(b)(2) under which the Contribution Percentage of the Highly Compensated Employee who has the highest such Contribution Percentage for such Plan Year is reduced, to the extent required (i) to enable the Plan to satisfy the Average Contribution Percentage test, or (ii) to cause such Highly Compensated Employee's Contribution Percentage to equal the Contribution Percentage of the Highly Compensated Employee with the next highest Contribution Percentage. The distribution or forfeiture (as the case may be) of any excess After-Tax Contributions or Company Matching Contributions shall be made on the basis of dollar amounts (rather than the individual Contribution Percentages) of the After-Tax Contributions and Company Matching Contributions by Highly Compensated Employees beginning with the highest such amounts.

(c) For purposes of satisfying the Average Contribution Percentage test, income allocable to a Participant's excess After-Tax Contributions or Company Matching Contributions, as determined under (b) above, shall be determined by applying procedures comparable to those provided under Section 5.5. Any distribution of an excess contribution pursuant to this Section 6.4 shall include any Trust gains or other income allocable to the distributed contribution while held in the Trust (but need not include Trust gains and income for the Plan Year in which distributed except to the extent required by the Code).

(d) To the extent required by regulations under Section 414(m) or 415 of the Code, any excess After-Tax Contributions or Company Matching Contribution forfeited by or distributed to a Highly Compensated Employee in accordance with this Section shall be treated as an Annual Addition under Article XIV for the Plan Year for which the excess contribution was made, notwithstanding such forfeiture or distribution.

6.5 Forfeiture of Company Matching Contributions Attributable to Excess Deferrals or Contributions .

To the extent any Company Matching Contributions allocated to a Participant's Company Matching Contributions Account are attributable to excess Before-Tax Contributions required to be distributed to the Participant in accordance with Section 5.5 or 5.6, or excess After-Tax Contributions required to be distributed to the Participant in accordance with Section 6.4, such Company Matching Contributions, including any income allocable thereto, shall be forfeited, notwithstanding that such Company Matching Contributions may otherwise be nonforfeitable under the terms of the Plan. Any Company Matching Contributions forfeited by a Participant in accordance with this Section 6.5 shall be applied to reduce Company Matching Contributions.

ARTICLE VII
PARTICIPANT ACCOUNTS AND ALLOCATIONS

7.1 General .

All contributions under this Plan shall be held in the Trust Fund. All gains, losses, dividends and other property acquisitions and/or transfers that occur with respect to the Trust Fund shall be held, charged, credited, debited or otherwise accounted for under said fund on an unallocated basis until allocated to Participants' Accounts as of a Valuation Date as provided under this Plan or otherwise used or applied in accordance with the provisions of this Plan.

7.2 Participants' Accounts .

In order to account for the allocated interest of each Participant in the Trust Fund, there shall be established and maintained separate Accounts.

7.3 Revaluation of Participants' Accounts .

As of each Valuation Date, the Accounts of each Participant shall be revalued so as to reflect a proportionate share in any increase or decrease in the fair market value of the assets in the Trust Fund as of that date as compared with the value of the assets in the Trust Fund as of the immediately preceding Valuation Date. The valuation and allocation provisions of this Section 7.3 shall be applied and implemented in accordance with the following rules:

(a) As of each Valuation Date the Accounts holding such assets shall be revalued so as to reflect to each such Account a proportionate share in the net income or loss of the assets since the immediately preceding Valuation Date.

(b) The Company, Committee and Trustee do not in any manner or to any extent whatsoever warrant, guarantee or represent that the value of a Participant's Accounts shall at any time equal or exceed the amount previously contributed thereto.

7.4 Treatment of Accounts Following Termination of Employment .

Following a Participant's termination of employment, pending distribution of the Participant's Distributable Benefit pursuant to the provisions of Article VIII below, the Participant's Plan Accounts shall continue to be maintained and accounted for in accordance with all applicable provisions of this Plan.

7.5 Accounting Procedures .

The Committee and the Trustee shall establish accounting procedures for the purpose of making the allocations, valuations and adjustments to Participants' Accounts provided for in this Article VII. From time to time the Committee and Trustee may modify such accounting procedures for the purpose of achieving equitable, nondiscriminatory, and administratively feasible allocations among the Accounts of Participants in accordance with the general concepts of the Plan and the provisions of this Article VII.

**ARTICLE VIII
VESTING; PAYMENT OF PLAN BENEFITS**

8.1 Vesting.

Each Participant's vested interest in his Accounts shall be determined as follows:

(a) Before-Tax, After-Tax and Rollover/Transfer Account. Each Participant shall at all times be one hundred percent (100%) vested in his Before-Tax Contributions Account, his After-Tax Contributions Account and his Transfer/Rollover Account under the Plan.

(b) Company Matching and Company Contributions Accounts.

(i) Three-Year Vesting Schedule. Except as otherwise provided in this Section 8.1, each Participant shall become vested in his Company Matching Account and his Company Contributions Account as follows (the "3-Year Vesting Schedule"):

<u>Number of Years of Service</u>	<u>Vesting Percentage</u>
Less than 3	0%
3 or more	100%

provided, however, if the Participant was eligible to participate in the Plan before April 1, 2000 and had two (2) Years of Service as of April 1, 2000, the 3-Year Vesting Schedule shall be modified as follows:

<u>Number of Years of Service</u>	<u>Vesting Percentage</u>
Less than 2	0%
2	25%
3 or more	100%

(ii) Five-Year Vesting Schedule Prior to April 1, 2000. Notwithstanding the foregoing, if the Participant participated in the Plan before April 1, 2000 and was not an Employee on April 1, 2000, the Participant's vested

interest (if any) in his Company Matching Account and his Company Contributions Account shall be determined under the following table (the “5-Year Vesting Schedule”):

<u>Number of Years of Service</u>	<u>Vesting Percentage</u>
Less than 2	0%
2	25%
3	50%
4	75%
5 or more	100%

The 3-Year Vesting Schedule shall not apply to such Participant until such Participant resumes employment as an Employee after April 1, 2000, in which event:

(A) The 3-Year Vesting Schedule shall apply to the portion of his Company Matching Account and his Company Contributions Account that is attributable to his post-March 31, 2000 participation in the Plan (if any); and

(B) The 3-Year Vesting Schedule shall apply to the remainder of his Company Matching Account and his Company Contributions Account only (A) if the 5-Year Vesting Schedule had not been applied to forfeit any of his Company Matching Account or his Company Contributions Account prior to his resumption of employment or (B) if the 5-Year Vesting Schedule had been so applied, there has been a restoration of the resulting forfeited amount pursuant to Section 8.15 (b) following his resumption of employment.

(iii) One Hundred Percent Vesting.

Notwithstanding the foregoing, each Participant shall be one hundred percent (100%) vested in certain Accounts as follows:

(A) Each Participant who completed an Hour of Service prior to July 1, 1989 shall at all times be one hundred percent (100%) vested in his Company Contributions Account.

(B) A Participant shall become one hundred percent (100%) vested in his Company Matching Account and his Company Contributions Account upon attainment of Normal Retirement Date while an Employee, or in the event of death or Total and Permanent Disability while an Employee.

(C) Notwithstanding the foregoing, each Participant shall at all times be one hundred percent (100%) vested in the account(s) noted in the following chart if the Participant was eligible to participate in the corresponding plan (or was employed at the corresponding division or facility) as of the corresponding date:

<u>Plan Name/Division Location</u>	<u>Date</u>	<u>Account</u>
F-P Savings Plan	3/31/97	Company Matching Account
Tyco Plan	1/1/98	Tyco Before-Tax Contributions Account Tyco Matching Contributions Account
Print Paks Plan	1/31/99	Print Paks Before-Tax Contributions Account Print Paks Matching Contributions Account
Fort Wayne Plan	12/14/00	Fort Wayne Before-Tax Contributions Account Fort Wayne Matching Account Fort Wayne Nonelective Account
Pleasant Plan	9/30/01	Pleasant Plan Matching Contributions Account
Mattel-Customer Care Center; Phoenix, Arizona division	3/27/01	Company Matching Account Company Contributions Account
Mattel operations-Murray division	4/3/01	Company Matching Account Company Contributions Account
Mattel-Hebron, Kentucky division	4/24/01	Company Matching Account Company Contributions Account
Eau Claire, Wisconsin facility of American Girl, Inc.	1/1/04	Company Matching Account Company Contributions Account
Mount Laurel, NJ facility	1/1/04	Company Matching Account Company Contributions Account
Tyco Retirement Plan	1/1/07	Tyco Retirement Account

8.2 Distribution Upon Retirement .

(a) Normal and Late Retirement . A Participant may retire from the employment of the Company on his Normal Retirement Date. Subject to the required distribution rules under (b) below, if the Participant continues in the service of the Company beyond his Normal Retirement Date, he shall continue to participate in the Plan in the same manner as Participants who have not reached their Normal Retirement Dates. At the subsequent termination of the Participant's employment on his late retirement date, his Distributable Benefit shall be based upon the value of his Accounts as of the applicable Valuation Date determined with reference to the date of distribution. After a Participant has reached his Normal Retirement Date, any termination of the Participant's employment (other than by reason of death or disability) shall be deemed a Normal Retirement.

(b) Timing of Distribution. Upon Normal Retirement a Participant shall be entitled to a distribution of his Distributable Benefit in the Trust Fund. Subject to the provisions of Section 8.19 (regarding the cash out of small amounts), such distribution shall be made or commence to be made as soon as practicable following the date specified by the Participant in a written election filed with the Plan Administrator; provided that, in no event shall distribution be delayed beyond the time specified in Section 8.5(a) in accordance with the requirements of Code Section 401(a)(9).

(c) Minimum Distributable Amount. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in U.S. Treasury Regulations section 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the first distribution calendar year; or

(ii) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in U.S. Treasury Regulations section 1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the first distribution year.

Required minimum distributions will be determined under this Section 8.2(c) beginning with the first distribution calendar year and continue through the end of the distribution calendar year that includes the Participant's date of death; provided that life expectancies shall not be recalculated each year but shall be determined by taking the life expectancy in the first distribution calendar year reduced by one for each subsequent year.

8.3 Distribution Upon Death Prior to Termination of Employment .

(a) Distribution Upon Death . Upon the death of a Participant during his employment, the Committee shall direct the Trustee to make a distribution of the Participant's Distributable Benefit in the Trust Fund in a single lump sum to the Beneficiary designated by the deceased Participant, or as otherwise determined under Section 8.9. A Participant who dies on or after January 1, 2007 while performing qualified military service, as defined in Code Section 414(u), shall be deemed to have died during his employment for purposes of this subparagraph.

(b) Timing of Payment to Beneficiary . If the Participant's Beneficiary is not the Participant's surviving spouse, such death benefits shall be distributed to the non-spouse Beneficiary as soon as administratively feasible following the Participant's death. If the Participant's surviving spouse is the Participant's sole designated Beneficiary, such death benefits shall be distributed to the surviving spouse Beneficiary at such time as the Beneficiary elects, but not later than December 31 of the calendar year immediately following the calendar year in which the Participant died, or if later, December 31 of the calendar year in which the Participant would have attained age 70 ¹/₂ .

If there is no designated Beneficiary of a deceased Participant as of September 30 of the year following the year of the Participant's death, all death benefits payable with respect to the deceased Participant shall be distributed no later than December 31 of the calendar year containing the fifth anniversary of the Participant's death. The "designated Beneficiary" of a Participant for purposes of this Section 8.3 and Section 8.4 shall mean the individual who is designated as the Participant's Beneficiary under Section 8.9 and who satisfies the requirements to constitute a designated beneficiary under Code Section 401(a)(9) and U.S. Treasury Regulations section 1.401(a)(9)-1, Q&A-4.

8.4 Death After Termination of Employment .

(a) Upon the death of a former Participant after his retirement or other termination of employment, but prior to the distribution of the Participant's Distributable Benefit in the Trust Fund to which he is entitled, the balance of the Distributable Benefit to which the Participant was entitled shall be distributed to the Participant's Beneficiary as provided in Section 8.3.

(b) If the Participant dies on or after the date distributions begin, all death benefits calculated in accordance with Section 8.4(a) shall be paid to the designated Beneficiary, or as otherwise determined under Section 8.9, as soon as administratively practicable following the Participant's death.

8.5 Termination of Employment

(a) Subject to the provisions of Section 8.5(b) and Section 8.19 (regarding the cash out of small amounts), if a Participant's employment for the Company and all Affiliated Companies terminates prior to his Normal Retirement Date, his Distributable Benefit in the Trust Fund shall be paid as soon as administratively feasible following any date specified by the Participant in a written election filed with the Plan Administrator; provided that, distribution shall begin to be made in accordance with Section 8.2(c) to a Participant who is not a "5-percent owner" (within the meaning of Section 401(a)(9) of the Code) no later than April 1 of the calendar year following the later of the calendar year in which the Participant (i) attains age seventy and one-half (70-1/2) or (ii) separates from service with the Company or an Affiliated Company. Notwithstanding the foregoing, in the case of a Participant who is a "5-percent owner" (within the meaning of Section 401(a)(9) of the Code) distribution shall be made or commence to be made not later than April 1 following the calendar year in which such Participant attains age 70-1/2, whether or not the Participant's employment has terminated.

Notwithstanding the foregoing, a Participant or Beneficiary who would have been required to receive required minimum distributions for a year as described in this Section 8.5(a) but for the enactment of Code Section 401(a)(9)(H) ("Waived Distributions"), and who would have satisfied that requirement by receiving such Waived Distributions, will not receive those distributions for any calendar year in which such distributions are waived pursuant to Code Section 401(a)(9)(H) unless the Participant or Beneficiary chooses to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to receive the Waived Distributions. Participants and Beneficiaries may not elect to receive Waived Distributions in a direct rollover as described in Section 8.8.

(b) If the Participant makes a valid written election in accordance with (c) below, payment of his Distributable Benefit pursuant to this Section 8.5 may be made on any date which is not later than sixty (60) days after the close of the Plan Year in which occurs the later of (i) the Participant's termination of employment with the Company and all Affiliated Companies, or (ii) a date specified by the Participant in the valid written election filed by the Participant, to the extent administratively feasible. For purposes of Section 72(t) of the Code, any distribution to a Participant in accordance with this Section 8.5 during or following the year in which he attains age fifty-five (55) shall be deemed to be on account of an event enumerated in Code Section 72(t)(2).

(c) Any written election by a Participant to receive payment of his Distributable Benefit shall not be valid unless such election is made both (i) after the Participant receives a written notice advising him of his right to defer payment and (ii) within the ninety (90) day period ending on the Participant's "Benefit Starting Date." The notice to the Participant advising him of his right to defer payment shall be given no less than thirty (30) nor more than ninety (90) days prior to the Participant's Benefit Starting Date. For purposes of this Subsection (c), "Benefit Starting Date" shall mean the first day of the first period for which the Participant's Distributable Benefit is paid. Notwithstanding the foregoing, payment of the Participant's Distributable Benefit may commence less than thirty (30) days after receipt of the notice, provided that the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect to receive payment and the Participant, after receiving the notice, affirmatively elects to receive payment.

(d) In the event a Participant is not fully vested in all of his Company Contributions Account or Company Matching Account under the Plan, the portion of such Accounts which is not vested shall be forfeited as of the earlier of the date the vested portion of such Accounts is completely distributed to him or the date he incurs five (5) consecutive one-year Periods of Severance.

(e) Notwithstanding the foregoing, if a Participant ceases to be an Employee by reason of the disposition by the Company or an Affiliated Company of either (i) substantially all of the assets used by the Company or an Affiliated Company, as the case may be, in a trade or business, or (ii) the interest of the Company or an Affiliated Company, as the case may be, in a subsidiary, such Participant shall be entitled to distribution of his Distributable Benefit as if, for purposes of this Plan only, such event constitutes a termination of employment.

8.6 Withdrawals.

(a) General. While he is still an Employee, a Participant may withdraw amounts from his Accounts under the Plan in accordance with rules of uniform application which the Committee may from time to time prescribe consistent with the provisions of this Section 8.6; provided, however, a withdrawal must be for at least \$200 (or the entire amount available for withdrawal, if less). A withdrawal other than on account of Hardship shall be made from the Participant's Accounts in the following order, in each case up to the amount available for withdrawal in such Accounts (i) After-Tax Contributions Account; (ii) Transfer/Rollover Account; and (iii) Company Matching Account. Disbursement of withdrawals shall be as soon as administratively practicable after the submission of a request for withdrawal in a form satisfactory to the Committee. Payment of a withdrawal shall be made in cash and shall be allocated pro rata among the Participant's investment fund subaccounts, including any Company Stock subaccount. In no event may any amount be withdrawn by a Participant in accordance with this Section 8.6 after he ceases to be an Employee.

(b) Withdrawals Following Total and Permanent Disability. A Participant who is determined to have a Total and Permanent Disability and who is ineligible to make further contributions under Section 5.1 shall be eligible to receive a withdrawal of all or any portion of the Participant's Transfer/Rollover Account, After-Tax Account or Before-Tax Account at any time.

(c) Withdrawals from Transfer/Rollover Account. A Participant shall be eligible to receive a withdrawal from the Participant's Transfer/Rollover Account at any time; provided that (i) Employee contributions made within the preceding six months to the Mattel Investment Plan which were matched by Company matching contributions under said Plan may not be withdrawn from such Account; and (ii) Company

contributions made under the Mattel Investment Plan within the two (2) year period preceding withdrawal shall not be eligible to be withdrawn unless the Participant has completed an aggregate of at least sixty (60) months of participation in this Plan and the Mattel Investment Plan as of the date of withdrawal or has attained age 59 ¹/₂.

(d) Withdrawals from After-Tax Account A Participant shall be eligible to receive a withdrawal from the Participant's After-Tax Contribution Account at any time; provided that After-Tax Contributions made within the preceding six months to the Plan which were matched by Company Matching Contributions may not be withdrawn from such Account.

(e) Withdrawals from Before-Tax Account. A Participant may make a withdrawal from his Before-Tax Contributions Account after attaining age 59-1/2 or following a determination by the Committee that the withdrawal is necessary to relieve a hardship of the Participant or his family as described in this Section 8.6(e). A Participant may receive a withdrawal due to hardship only if the withdrawal both is made due to an immediate and heavy financial need of the Participant within the meaning of (i) below and is necessary to satisfy such financial need within the meaning of (ii) below.

(i) Immediate and Heavy Financial Need. For purposes of this Section 8.6(e), a withdrawal will be considered to be on account of an immediate and heavy financial need of the Participant only if the withdrawal is for:

(A) Expenses for (or necessary to obtain) medical care that would be deductible under Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income) for the Participant, or the Participant's spouse, primary beneficiaries or dependents (as defined in Section 152 of the Code);

(B) Costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments);

(C) Payment of tuition, related educational fees, and room and board expenses for up to the next 12 months of post-secondary education for the Participant, or his Spouse, primary beneficiaries, children, or dependents (as defined under Code Section 152 without regard to Section 152(b)(1), (b)(2) and (d)(1)(B));

(D) Payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage on such residence;

(E) Payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code Section 152 without regard to Section 152(d)(1)(B));

(F) Expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income; or

(G) Such other deemed immediate and heavy financial needs as are set forth by the Internal Revenue Service through the publication of revenue rulings, notices, and other documents of general applicability.

(ii) Necessary to Satisfy a Financial Need. For purposes of this Section 8.6(d), a distribution shall be considered to be necessary to satisfy an immediate and heavy financial need of the Participant only if all of the following conditions are satisfied:

(A) the distribution is not in excess of the amount of the immediate and heavy financial need of the Participant, which may include amounts necessary to pay federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution;

(B) the Participant has obtained all distributions (other than hardship distributions) and all non-taxable loans (at the time of the loan) currently available under all plans maintained by the Company; and

(C) the Participant's Before-Tax Contributions and After-Tax Contributions to the Plan are suspended for six (6) months following the receipt of the hardship distribution; and

(D) the Committee receives a written representation from the Participant that the Participant's financial need cannot reasonably be relieved (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidation of the Participant's assets, (3) by cessation of Before-Tax Contributions and After-Tax Contributions under the Plan, (4) by other currently available distributions and nontaxable (at the time of the loan) loans under plans maintained by the employer or by any other employer; or (5) by borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

Notwithstanding the foregoing, the amount of any hardship withdrawal shall not exceed a Participant's 'distributable amount,' which consists of the total of such Participant's Before-Tax Contributions as of the date of the hardship withdrawal, including earnings credited thereon before December 31, 1988 (if any), reduced by the amount of any previous hardship withdrawals. The Committee will determine whether a hardship withdrawal satisfies the foregoing standards in a uniform and nondiscriminatory manner consistent with Code Section 401(k) and the regulations promulgated thereunder.

(f) Withdrawal from Company Contributions Account. A Participant may receive a withdrawal from the vested portion of his Company Contributions Account after attaining age 59-1/2 or a determination by the Committee that the withdrawal is necessary to relieve a hardship of the Participant or his family within the meaning of Section 8.6(e) of the Plan.

(g) Withdrawal from Company Matching Account. A Participant may receive a withdrawal from the vested portion of his Company Matching Account after the Participant (i) has completed an aggregate of at least sixty (60) months of participation in this Plan and the Mattel Investment Plan, the F-P Savings Plan, the Tyco Plan, the PrintPaks Plan or the Pleasant Plan as of the date of withdrawal or (ii) has attained age 59 1/2, provided that any withdrawal from such Company Matching Account shall not include amounts attributable to Company Matching Contributions made within the two (2) year period preceding withdrawal.

(h) Withdrawal Following Age 70 1/2. Notwithstanding anything in this Article to the contrary, a Participant can elect to receive all or any portion of his vested Accounts once such Participant attains age 70 1/2.

(i) Adjustment if Not Fully Vested in Account. If a Participant makes an in-service withdrawal from his Company Contributions Account or Company Matching Account at a time when the Participant does not have a one hundred percent (100%) vested interest in the value of such Account, and the Participant may increase his vested interest in the Account:

(i) such account shall be established as a separate Account as of the date of distribution, and

(ii) at any relevant time the Participant's vested interest in the value of such separate Account shall be equal to an amount ("X") determined by the formula:

$$X = P (AB + D) - D$$

For purposes of applying the formula above: P is the nonforfeitable percentage at the relevant time, AB is the Account balance at the relevant time, and D is the amount of the withdrawal.

(j) Withdrawal for Participant in the Uniformed Services. During any period the Participant is performing service in the uniformed services described in Code Section 3401(h)(2)(A), such Participant shall be eligible to elect to receive a withdrawal from the Participant's Before-Tax Contributions Account prior to attaining age 59 1/2. Such distribution shall be limited to the amount credited to the Participant's Before-Tax Contributions Account minus any earnings credited to such account after December 31, 1988. If a Participant elects to receive a distribution in accordance with this subparagraph, the Participant may not make Before-Tax Contributions or After-Tax Contributions during the 6-month period beginning on the date of distribution.

(k) Qualified Reservist Distribution. Effective on and after January 1, 2011, pursuant to Code Section 401(k)(2)(B)(i)(V), an individual who is a member of a reserve component who is called to active duty either for a period in excess of 179 days or for an indefinite period of time may elect to receive a “qualified reservist distribution” as defined in Code Section 72(t)(2)(G)(iii) which distribution shall not be subject to the otherwise applicable 10-percent excise tax of Code Section 72(t)(1) on early distributions.

8.7 Form of Distribution.

(a) Single Sum Payment. Unless a Participant makes a written election in accordance with Section 8.7 (c) or 8.8 below, a Participant’s Distributable Benefit shall be payable in the form of a single sum distribution. Except for any portion of such Distributable Benefit that is payable in the form of Company Stock in accordance with Section 8.12, such distribution shall be in cash.

(b) In the case of any cash disbursement from a Participant’s Accounts, such disbursement shall be made ratably from such investment funds or investment vehicles in which such Participant’s Accounts affected by such disbursement are invested.

(c) Installment Payments. Subject to Section 8.19 regarding the payment of small Accounts, effective April 1, 1997, a Participant who terminates employment on or after his Normal Retirement Date, Early Retirement Date or by reason of Total and Permanent Disability and, effective January 1, 2007, any Participant whose vested Account at the time of termination of employment exceeds fifty thousand dollars (\$50,000), may elect to receive his benefit in installments payable monthly, quarterly or annually for a period of five, ten or fifteen years (but no longer than the Participant’s life expectancy determined as of his Benefit Starting Date). All such installments shall be paid in cash or Company Stock and the installment or installments for the year in which the Participant attains age 70-1/2 and all subsequent years shall be paid to the Participant on or before December 31 of such year.

8.8 Election for Direct Rollover of Distributable Benefit to Eligible Retirement Plan.

(a) General. To the extent required by Section 401(a)(31) of the Code, a Participant who is eligible to receive payment of his Distributable Benefit shall be entitled to elect a direct rollover of all or part of his Distributable Benefit to an eligible retirement plan. For purposes of this Section, an “eligible retirement plan” shall mean any plan described in Code Section 402(c)(8)(B), which, effective for distributions on and after December 31, 2007 shall include a Roth IRA described in Code Section 408A(b), the terms of which permit the acceptance of a direct rollover from a qualified plan.

(b) Rollover of After-Tax Portion of Account. The portion of a Participant's Distributable Benefit consisting of after-tax contributions which are not includible in income shall be eligible for a direct rollover to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, to a qualified defined contribution or defined benefit plan described in Section 401(a) or 403(a) of the Code, or to an annuity contract described in Code Section 403(b). Notwithstanding the foregoing, a direct rollover of a Participant's Distributable Benefit consisting of after-tax contributions which are not includible in income may be made only to an account or plan that agrees to separately account for amounts so transferred, including separately accounting for the portion of such Distributable Benefit which is includible in gross income and the portion of such Distributable Benefit which is not so includible in gross income.

(c) Rollover Procedures. A Participant's direct rollover election under this Section shall be in writing and shall be made in accordance with rules and procedures established by the Committee. Such election shall specify the dollar or percentage amount of the Distributable Benefit to be rolled over, the name of the eligible retirement plan selected by the Participant, and such additional information as the Committee deems necessary or appropriate in order to implement the election. It shall be the Participant's responsibility to confirm that the eligible retirement plan designated in his direct rollover election will accept the direct rollover of his Distributable Benefit. The Committee shall be entitled to direct the rollover based on its reasonable reliance on information provided by the Participant, and shall be not required to independently verify such information, unless it is clearly unreasonable not to do so.

(d) Notice. At least thirty (30) days, but not more than ninety (90) days, prior to the date a Participant's Distributable Benefit becomes payable, the Participant shall be given written notice of any right he may have to elect a direct rollover of his Distributable Benefit to an eligible retirement plan. Notwithstanding the foregoing, a direct rollover of the Participant's Distributable Benefit may be made less than thirty (30) days after receipt of the notice, provided that the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a direct rollover and the Participant, after receiving the notice, affirmatively elects a direct rollover.

(e) Company Stock. If a Participant has made a direct rollover election with respect to any portion of his Distributable Benefit that is payable in Company Stock, as provided in Section 8.12, unless the eligible retirement plan specified by the Participant will accept a direct rollover of such Stock, the Stock will be distributed to the Participant, notwithstanding the Participant's direct rollover election.

(f) Payment to Spouse. To the extent required by Section 401(a)(31) of the Code, if all or a portion of a Participant's Distributable Benefit is payable to the Participant's surviving Spouse, or to a former Spouse in accordance with a "qualified domestic relations order," such surviving Spouse or former Spouse shall be entitled to elect a direct rollover of all or a portion of such distribution in accordance with the provisions of this Section.

(g) No Rollover of Hardship Withdrawal. Notwithstanding the foregoing, a Participant's direct rollover shall not include any hardship withdrawal described in Section 8.6(e) of the Plan and Code Section 401(k)(2)(B), and the Participant may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

(h) Payment to Non-Spouse Beneficiary. A non-spouse beneficiary who is a "designated beneficiary" under Code Section 401(a)(9)(E) and the regulations thereunder may elect a direct rollover, of all or any portion of an eligible rollover distribution within the meaning of Code Section 402(c)(4) to such non-spouse beneficiary, to an individual retirement account established for this purpose. A non-spouse beneficiary who receives a distribution from the Plan is not eligible for a 60-day rollover.

8.9 Designation of Beneficiary and Documentation Related to Death of Participant.

(a) Subject to the provisions of Section 8.11, each Participant shall have the right to designate a Beneficiary or Beneficiaries to receive his interest in the Trust Fund in the event of his death before receipt of his entire interest in the Trust Fund. The designation shall be made on a form prescribed by and delivered to the Committee. Subject to the provisions of Section 8.11, a Participant shall have the right to change or revoke any such Beneficiary designation by filing a new designation or notice of revocation with the Committee. Subject to the provisions of Section 8.11, no notice to any Beneficiary nor consent by any Beneficiary shall be required to effect any such change or revocation.

(b) Effect of Divorce or Dissolution. If (i) a Participant who is married designates the Participant's spouse as the Participant's Beneficiary or (ii) a Participant who is registered as a domestic partner or has obtained a civil union license with another individual (in either event, such individual is hereafter referred to as the Participant's "Domestic Partner") designates the Participant's Domestic Partner as the Participant's Beneficiary, and subsequent to such designation the Participant and the Participant's spouse are divorced or the relationship between the Participant and the Participant's Domestic Partner is legally dissolved, the designation of the Participant's spouse or Domestic Partner as the Participant's Beneficiary (as the case may be) shall become void and shall have no further legal force or effect from and after such divorce or dissolution. Should the Participant wish to designate a former spouse or Domestic Partner as his Beneficiary, he must affirmatively do so by completing a new Beneficiary designation form, after the date of his divorce or dissolution, naming his former spouse or Domestic Partner as his Beneficiary.

(c) No Beneficiary. If a deceased Participant shall have failed to designate a Beneficiary, the Company shall be unable to locate a designated Beneficiary after reasonable efforts have been made, for any reason the designation shall be legally ineffective, or the Participant's Beneficiary shall have predeceased the Participant, then and in such event, the deceased Participant's estate shall be the deceased Participant's Beneficiary.

(d) Additional Documents. The Committee or Trustee, or both, may require the execution and delivery of such documents, papers and receipts as the Committee or Trustee may determine necessary or appropriate in order to establish the fact of death of the deceased Participant and of the right and identity of any Beneficiary or other person or persons claiming any benefits under this Article VIII. The Committee or the Trustee, or both, may, as a condition precedent to the payment of death benefits hereunder, require an inheritance tax release and/or such security as the Committee or Trustee, or both, may deem appropriate as protection against possible liability for state or federal death taxes attributable to any death benefits.

(e) Non-California Resident. In the event that the deceased Participant was not a resident of California at the date of his death, the Committee, in its discretion, may require the establishment of ancillary administration in California.

8.10 Facility of Payment.

If any payee under the Plan is a minor or if the Committee reasonably believes that any payee is legally incapable of giving a valid receipt and discharge for any payment due him, the Committee may have the payment, or any part thereof, made to the person (or persons or institution) whom it reasonably believes is caring for or supporting the payee, unless it has received due notice of claim therefor from a duly appointed guardian or committee of the payee. Any payment shall be a payment from the Accounts of the payee and shall, to the extent thereof, be a complete discharge of any liability under the Plan to the payee.

8.11 Requirement of Spousal Consent.

Notwithstanding any Beneficiary designation submitted by a Participant, any distribution required to be made under the terms of the Plan by reason of the death of the Participant shall be paid in full to the Participant's surviving spouse, unless there is no surviving spouse or the spouse consents in writing to the beneficiary designation, acknowledging the effect of the election. Any such spousal consent, to be valid, must be witnessed by a plan representative or a notary public. The spousal consent requirement of this Section 8.11 shall be waived and the Participant's Beneficiary designation shall be made effective if the Participant establishes to the satisfaction of the Committee that the required consent cannot be obtained because there is no spouse or the spouse cannot be located.

8.12 Company Stock Distribution.

Payment of any portion of a Participant's Distributable Benefit held in his Company Stock subaccount shall be paid in cash, unless the Participant elects in writing in accordance with procedures established by the Committee that payment shall be made in Company Stock in lieu of cash (which election may apply to a payment to the trustee of an "eligible retirement plan" in accordance with Section 8.8 but may not apply with respect to a withdrawal in accordance with Section 8.6). Within a reasonable period of time prior to the date such Participant's Distributable Benefit is to be paid, the Committee shall notify the Participant of his right to elect to have payment of the value of his Company Stock subaccount made in the form of a Company Stock distribution in lieu of a cash distribution. Upon being so notified, the Participant shall have a reasonable time (at least thirty (30) days) in which to file a written election to have such payment made in Company Stock. Any such election shall be irrevocable. If a Participant fails to file a written election to receive an in kind payment of the value of the portion of his Distributable Benefit attributable to his Company Stock subaccount within thirty (30) days of receiving notification, payment shall be made in cash based on the value of such Company Stock as of the immediately following Valuation Date at the then prevailing purchase price. Neither the Company, the Committee, nor the Trustee shall be required to time the distribution or sale of Company Stock to anticipate fluctuations in the purchase price.

8.13 Valuation of Accounts.

(a) Account Valuation. For purposes of determining a Participant's Distributable Benefit under this Plan, the value of a Participant's Accounts shall be determined in accordance with rules prescribed by the Committee, subject, however, to the following provisions:

(i) Application Required. Unless the provisions of (ii) below apply, if a Participant's employment terminates for any reason other than death, the value of a Participant's Accounts shall be determined as of the Valuation Date coinciding with or next following the date on which a properly completed application for payment or transfer of the Participant's Distributable Benefit, and such other forms as may be required by the Committee in order to process the distribution or transfer, are received by the Committee.

(ii) Exception for Small Payments. If a Participant's employment terminates for any reason other than death and the Committee does not receive the Participant's properly completed application for the payment or transfer of the Participant's Distributable Benefit, and such other forms as may be required by the Committee to process the payment or transfer, and the vested value of such

Participant's Accounts at the applicable Valuation Date does not exceed \$1,000, including that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account, or, prior to March 28, 2005, such value does not exceed \$5,000 excluding that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account, then, in either of such events, the applicable Valuation Date shall be the Valuation Date coinciding with or next following the expiration of a reasonable period of time after the Participant is furnished with such application and forms, including any tax notice required under Code Section 402(f).

(iii) In the Event of Death. In the case of a Participant's death, the value of a Participant's Accounts for purposes of determining the Participant's Distributable Benefit shall be determined as of the Valuation Date coinciding with or next following the date on which the Committee has been furnished with all documents and information (including but not limited to proof of death, facts demonstrating the identity and entitlement of any Beneficiary or other payee, and any and all releases) necessary to distribute such Participant's Accounts.

(iv) Withdrawals and Loans. In the case of any withdrawal or loan, the value of a Participant's Accounts under the Plan shall be determined as of the Valuation Date coinciding with or next following the date on which the Participant submits a request for such withdrawal or loan in a form satisfactory to the Committee and the withdrawal or loan is approved.

(v) Adjustment to Account. The value of a Participant's Accounts shall be increased or decreased (as appropriate) by any contributions, forfeitures, or distributions properly allocable under the terms of this Plan to his Accounts that occurred on or after the most recent Valuation Date or for any other reason were not otherwise reflected in the valuation of his Accounts on such Valuation Date.

(b) No Adjustment after Valuation Date. Neither the Committee, the Company, nor the Trustee shall have any responsibility for any increase or decrease in the value of a Participant's Accounts as a result of any valuation made under the terms of this Plan after the date of his termination of employment and before the date of the distribution of his Accounts to him. Also, neither the Committee, the Company, nor the Trustee shall have any responsibility for failing to make any interim valuation of a Participant's Accounts between the date of distribution to the Participant of his Accounts and the applicable Valuation Date, even though the Plan assets may have been revalued in that interim for a purpose other than to revalue the Accounts under this Plan.

8.14 Forfeitures; Repayment.

Amounts forfeited in accordance with Section 8.5(d) shall be applied as soon as practicable to reduce future Company Contributions and Company Matching Contributions. A Participant who elects to receive a distribution pursuant to Subsection 8.5(b) may, in the case of his reemployment as an Eligible Employee, repay the total amount distributed and shall in such case be fully restored in amounts forfeited in accordance with Section 8.5(d); provided, however, that no such repayment shall be permitted unless such repayment is made prior to the earlier of (i) the date the Participant incurs five (5) consecutive one-year Periods of Severance and (ii) the fifth anniversary of his Employment Commencement Date following the Period of Severance.

8.15 Loans.

(a) General. From time to time, the Committee may adopt procedures whereby a Participant (including on and after January 1, 2011 a Participant who is an Employee paid on a United States payroll but who no longer is an Eligible Employee) may borrow from his Accounts under the Plan. In no event may any amount be borrowed by a Participant who is not paid on a United States payroll. In addition to such other requirements as may be imposed by applicable law, any such loan shall bear a reasonable rate of interest, shall be adequately secured by proper collateral, and shall be repaid within a specified period of time according to a written repayment schedule that calls for substantially level amortization over the term of the loan. To the extent required to comply with the requirements of Section 401(a)(4) of the Internal Revenue Code, loans hereunder shall be made in a uniform and non-discriminatory manner.

(b) Interest Rate, Security and Repayment. In connection with the requirements set forth in Subsection (a) above, the Committee shall establish the applicable interest rate, which shall be reasonably equivalent to interest rates available commercially with respect to similar loans. Without prejudice to the right of any Participant and the Trustee to enter into other appropriate arrangements to secure repayment of a loan pursuant to this Section 8.16, any loan made to a Participant shall be secured by a pro rata portion of his vested investment fund subaccounts, including any Company Stock subaccount. Any loan shall by its terms require repayment within five (5) years in substantially level payments made no less frequently than quarterly, except that the repayment period may be up to a maximum of fifteen (15) years in the case of a loan certified by the Participant to be used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as a principal residence of the Participant. Repayments of a loan by a Participant shall be invested among the Participant's investment fund subaccounts in accordance with the Participant's investment election then in effect under Section 4.2.

(c) Amount of Loan. In no event shall the principal amount of a loan hereunder, at the time the loan is made, together with the outstanding balance of all other loans to the Participant under this Plan, exceed the lesser of:

(i) fifty percent (50%) of the value of the Participant's vested interest in his Accounts under this Plan, or

(ii) fifty thousand dollars (\$50,000), reduced by the highest outstanding loan balance of the Participant from the Plan during the 1-year period ending on the day before the date on which such loan was made.

No loan less than two thousand dollars (\$2,000) will be made. Unless otherwise determined by the Committee, no Participant may have more than one loan outstanding under this Plan on any date.

(d) Procedure . Each Participant desiring to enter into a loan arrangement pursuant to this Section 8.16 shall apply for a loan by submitting a loan request in form satisfactory to the Committee. The Committee shall notify the Participant within a reasonable time whether the request is approved or denied. Upon approval of the request by the Committee, the Participant shall enter into a loan agreement with the Trustee. Such a Participant shall execute such further written agreements as may be necessary or appropriate to establish a bona fide debtor-creditor relationship between such Participant and the Trustee and to protect against the impairment of any security for said loan.

(e) Loan Repayment . Loans shall be repaid in accordance with the repayment schedule provided under the terms of the loan agreement. Notwithstanding the repayment schedule provided in a loan agreement, however, the amount of any outstanding loan shall be due and payable on the earlier to occur of (i) the date on which distribution is made or commences to be made of the participant's vested interest under the Plan or (ii) the expiration of one hundred eighty (180) days following the date the Participant ceases to be an Employee. Following a Participant's Severance Date, any outstanding loan amount which has become due and payable under the foregoing rule or otherwise, and which is secured by the Participant's vested interest in his Accounts, shall be treated as distributed from the Plan to the Participant.

(f) Loan Default . In the event a Participant fails to repay a loan in accordance with the terms of a loan agreement, such loan shall be treated as in default. The date of the enforcement of the security interest due to a loan in default shall be determined by the Committee, provided no loss of principal or income shall result due to any delay in the enforcement of the security interest due to the default. As of the Participant's Severance Date, the Participant's Distributable Benefit shall be reduced by the outstanding amount of a loan which is then in default, including any accrued interest thereon, that is secured by the Participant's vested interest in his Accounts. Any reasonable costs related to collection of a loan made hereunder shall be borne by the Participant.

8.16 Special Rule for Disabled Employees .

(a) Applicability of This Section. Subsection 8.16(b) shall apply to any Participant whose active performance of services for a Participating Company has ceased by reason of disability, and who has not subsequently resumed the active performance of such services. Subsections 8.16(c) and (d) shall apply only to a Participant whose active performance of services for a Participating Company ceases prior to January 1, 1989 by reason of disability, and who has not subsequently resumed the active performance of such services.

(b) Disability on or after January 1, 1989. In the case of a Participant to whom this Section 8.17(b) applies, so long as such Participant continues to receive Compensation from a Participating Company, but in no event for longer than a period of six (6) months commencing with the date of such Participant's cessation of active service, such Participant may continue to participate in this Plan in the same manner as any other Participant.

(c) Disability prior to January 1, 1989. In the case of a Participant to whom this Section 8.16 applied by reason of a disability prior to January 1, 1989 and who, on or after expiration of the period described in Section 8.16(b) above, commences to receive payments under the long term disability benefit coverage provided by a Participating Company and who also is determined to be suffering from a Total and Permanent Disability, contributions shall be made by the Participating Company pursuant to Section 6.1(a) (relating to contributions to Participants' Company Contributions Accounts) with respect to the Participant's "Compensation" as defined in Subsection 8.16(d) below, but the Participant shall not be eligible to make any contributions with respect to his own Compensation, and shall not be entitled to share in any other Participating Company contributions to the Plan (including but not limited to contributions to the Company Matching Account). Contributions by a Participating Company pursuant to this Section 8.16(c) shall be subject to amendment or termination of the Plan or other suspension or discontinuance of contributions, and in any event shall cease to be made with respect to any Participant after the earlier to occur of such Participant's death or termination of employment for any other reason, cessation of Total and Permanent Disability, or attainment of age sixty-five (65).

(d) Definition of Compensation under Section 8.16(c). In the case of a Participant to whom Section 8.16 applied by reason of a disability prior to January 1, 1989 and who is eligible to share in contributions of a Participating Company as provided in Subsection 8.16(c) above, the Compensation of such Participant for a Plan Year shall be deemed to equal the amount of Compensation which the Participant was paid (and which was taken into account for purposes of Sections 5.1 and 6.1 hereof) immediately before sustaining such Total and Permanent Disability, provided, however, that such amounts shall be included in Compensation only upon the following conditions:

(i) the Participant is not an officer, owner, or highly compensated individual (within the meaning of such terms under Code Section 415(c)(3));

(ii) the payments to such Participant under such long term disability benefit coverage shall be treated as "Compensation" only to the extent that such payments do not exceed the Participant's wage or salary rate paid immediately before becoming disabled to an extent constituting a Total and Permanent Disability; and

(iii) the Participant's accounts under the Plan, to the extent attributable to contributions made during a period of Total and Permanent Disability shall be nonforfeitable.

(e) Time of Termination of Employment. For purposes of this Plan, a Participant shall not be deemed to have terminated employment prior to his ceasing to be eligible for contributions under this Section 8.16, and upon such cessation of eligibility shall be deemed to have terminated employment only if he did not then begin or recommence employment for the Company or an Affiliated Company.

8.17 Election for Fully Vested Employees Transferred to Fisher-Price, Inc.

A fully vested Participant who prior to April 1, 1997 transfers employment from the Company (or other Participating Company) to Fisher-Price, Inc. and who is eligible to participate in the Fisher-Price, Inc. Matching Savings Plan may elect to transfer his entire vested account balance in the Plan to the Fisher-Price, Inc. Matching Savings Plan by filing an election form at the time and in the manner prescribed by the Committee. The transfer must be made in cash except that any promissory note evidencing an outstanding loan to the Participant from the Plan may be transferred in kind. Any transferred promissory note shall thereafter be repayable by the Participant to the Fisher-Price, Inc. Matching Savings Plan in accordance with its terms.

8.18 Provision for Small Benefits

Notwithstanding anything in this Article to the contrary, a Participant who terminates employment with the Company and all Affiliated Companies shall receive a distribution of his Distributable Benefit in a single lump sum payment no later than sixty (60) days after the close of the Plan Year in which the Participant's termination of employment occurs to the extent administratively feasible, provided that the value of such Distributable Benefit (including that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account) is equal to or less than \$1,000, or for distributions made before March 28, 2005, the value of such Distributable Benefit (excluding that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account) is equal to or less than \$5,000, determined as of the Valuation Date coincident with or immediately preceding his termination of employment. Such distribution shall be made directly to the Participant after withholding applicable income taxes unless the Participant elects a direct

rollover to an “eligible retirement plan” as provided in Section 8.8. If a Participant fails to file a direct rollover election with the Committee within ninety (90) days after notice is given, or if the Committee cannot effect the direct rollover election within a reasonable time after the election is filed due to the failure of the Participant to take such actions as may be required by the eligible retirement plan before it will accept the direct rollover, the Participant’s Distributable Benefit shall be paid to him after withholding applicable income taxes.

8.19 Special Provisions Applicable to Tyco Plan Accounts.

The provisions of this Section 8.19 shall apply to the balance of a Participant’s Tyco Before-Tax Contributions Account and Tyco Company Matching Account (“Tyco Accounts”).

(a) While he is still an Eligible Employee, a Participant may withdraw amounts from his Tyco Before-Tax Contributions Account to the extent that the Participant would be permitted to make a withdrawal from his Before-Tax Contributions Account in accordance with Section 8.6 and a Participant may withdraw amounts from his Tyco Company Matching Account to the extent that the Participant would be permitted to make a withdrawal from his Company Matching Account in accordance with Section 8.6. For this purpose, a Participant shall be deemed to have incurred a Total and Permanent Disability if because of a physical or mental disability, he will be unable to perform the duties of his customary position of employment (or is unable to engage in any substantial activity) for an indefinite period which the Committee considers will be of long continued duration.

(b) A Participant may, in addition to the other forms of payment available under Section 8.7, elect to receive distribution of any amount payable from the Participant’s Tyco Accounts or Transfer/Rollover Account paid in the form of either monthly, quarterly or annual installments over a fixed period of time not to exceed the life expectancy of the Participant or the joint life and last survivor expectancy of the Participant and the Participant’s Beneficiary. A Beneficiary of a deceased Participant may, in addition to the other forms of payment available under Section 8.3 or 8.4, elect to receive distribution of any amount payable from the Participant’s Tyco Accounts or Transfer/Rollover Account paid in the form of either monthly, quarterly or annual installments over a fixed reasonable period of time not to exceed the life expectancy of the Beneficiary. Any distribution made under this Section 8.19(b) shall be subject to the limitations of Section 401(a)(9) of the Code.

8.20 Special Provisions Applicable to PrintPaks Plan Accounts.

The provisions of this Section 8.20 shall apply to the balance of a Participant's PrintPaks Before-Tax Contributions Account and PrintPaks Company Matching Account ("PrintPaks Accounts").

(a) While he is still an Eligible Employee, a Participant may withdraw amounts from his PrintPaks Before-Tax Contributions Account to the extent that the Participant would be permitted to make a withdrawal from his Before-Tax Contributions Account in accordance with Section 8.6 and a Participant may withdraw amounts from his PrintPaks Company Matching Account to the extent that the Participant would be permitted to make a withdrawal from his Company Matching Account in accordance with Section 8.6. A Participant who has reached age 55 shall also be eligible to withdraw amounts from his PrintPaks Company Matching Account while he is an Eligible Employee to the extent otherwise permitted by Section 8.6.

(b) A Participant may, in addition to the other forms of payment available under Section 8.7, elect to receive distribution of any amount payable from the Participant's PrintPaks Accounts or Transfer/Rollover Account paid in the form of either monthly, quarterly or annual installments over a fixed reasonable period of time not to exceed the life expectancy of the Participant or the joint life and last survivor expectancy of the Participant and the Participant's Beneficiary. A Beneficiary of a deceased Participant may, in addition to the other forms of payment available under Section 8.3 or 8.4, elect to receive distribution of any amount payable from the Participant's PrintPaks Account or Transfer/Rollover Account paid in the form of either monthly, quarterly or annual installments over a fixed reasonable period of time not to exceed the life expectancy of the Beneficiary. Any distribution made under this Section 8.20(b) shall be subject to the limitations of Section 401(a)(9) of the Code.

8.21 Special Provisions Applicable to Fort Wayne Plan Accounts.

With respect to the balance of a Participant's Fort Wayne Plan Before-Tax Contributions Account, Fort Wayne Plan Company Matching Account and Fort Wayne Plan Nonelective Account ("Fort Wayne Plan Accounts"), while the Participant is still an Eligible Employee, a Participant may withdraw amounts from his Fort Wayne Plan Before-Tax Contributions Account to the extent that the Participant would be permitted to make a withdrawal from his Before-Tax Contributions Account in accordance with Section 8.6 and a Participant may withdraw amounts from his Fort Wayne Plan Company Matching Account to the extent that the Participant would be permitted to make a withdrawal from his Company Matching Account in accordance with Section 8.6.

8.22 Special Provisions Applicable to Pleasant Plan Nonelective Account.

With respect to the balance of a Participant's Pleasant Plan Nonelective Account, while the Participant is still an Eligible Employee, a Participant may withdraw amounts from his Pleasant Plan Nonelective Account to the extent that the Participant would be permitted to make a withdrawal from his Company Matching Account in accordance with Section 8.6.

**ARTICLE IX
OPERATION AND ADMINISTRATION OF THE PLAN**

9.1 Plan Administration.

(a) Authority to control and manage the operation and administration of the Plan shall be vested in a committee ("Committee") as provided in this Article IX.

(b) The members of the Committee shall be appointed by the Governance Committee and shall hold office until resignation, death or removal by the Governance Committee.

(c) For purposes of ERISA Section 402(a), the members of the Committee shall be named fiduciaries of this Plan.

(d) The Secretary of the Committee shall cause to be attached to the copy of the Plan maintained in the office of the Committee for the purpose of inspection an accurate schedule listing the names of all persons from time to time serving as the members of the Committee.

(e) Notwithstanding the foregoing, a Trustee with whom Plan assets have been placed in trust or an Investment Manager appointed pursuant to Section 9.3 may be granted exclusive authority and discretion to manage and control all or any portion of the assets of the Plan.

9.2 Committee Powers.

The Committee shall have all powers and discretion necessary to provide overall guidance with respect to the maintenance and administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration but not by way of limitation, the following powers and authority:

(a) To allocate fiduciary responsibilities (other than trustee responsibilities) among the Committee members and to designate one or more other persons to carry out fiduciary responsibilities (other than trustee responsibilities). However, no allocation or delegation under this Section 9.2(a) shall be effective until the person or persons to whom the responsibilities have been allocated or delegated agree to assume the responsibilities. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan. The term “trustee responsibilities” as used herein shall have the meaning set forth in Section 405(c) of ERISA. The preceding provisions of this Section 9.2(a) shall not limit the authority of the Committee to appoint one or more Investment Managers in accordance with Section 9.3.

(b) To appoint agents, who need not be members of the Committee, as it may deem necessary for the effective performance of its duties, and delegate to such agents such powers and duties, whether ministerial or discretionary as the Committee may deem expedient or appropriate.

(c) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan, including one or more persons to render advice with regard to any responsibility any members of the Committee or any other fiduciary may have under the Plan.

(d) To review and approve the appointment and removal of Trustees, Custodians and Investment Managers for the Plan.

(e) To establish rules and regulations from time to time for the conduct of the Committee’s business and the administration and effectuation of this Plan.

(f) To administer, interpret, construe and apply this Plan in its discretion and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, former Participant, Beneficiary or other person whatsoever, including but not limited to all questions relating to eligibility to participate in the Plan, the amount of service of any Participant, and the amount of benefits to which any Participant or his Beneficiary may be entitled by reason of his service prior to or after the Effective Date hereof.

(g) To determine the manner in which the assets of this Plan, or any part thereof, shall be disbursed.

(h) To direct the Trustee, in writing, from time to time, to invest and reinvest the Trust Fund, or any part thereof, or to purchase, exchange, or lease any property, real or personal, which the Committee may designate. This shall include the right to direct the investment of all or any part of the Trust in any one security or any one type of securities permitted hereunder. Among the securities which the Committee may direct the Trustee to purchase are “employer securities” as defined in Code Section 409(1) or any successor statute thereto.

(i) To take such action as is necessary to have the Plan comply with Section 414(u) of the Code (regarding the reemployment of military veterans), and in such regard, and notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided no less favorably than is required by Section 414(u) of the Code.

(j) To adopt and implement such rules regarding a Participant's ability to direct the investment, reinvestment and transfer of his Account among the investment alternatives available under the Plan, including but not limited to restricting the frequency or timing of trades in or out of one or more investment alternatives by a Participant, to the extent the Committee deems necessary or appropriate to limit or prevent harm to other Participant Accounts, to comply with the policies and procedures of the investment alternatives, to ensure that the Plan and Participant transactions thereunder are administered in compliance with applicable laws (including insider trading, market timing and related rules) or to otherwise provide for the efficient and effective administration of the Plan.

(k) To establish rules and procedures relating to Participant elections under the Plan, including Compensation reduction elections under Article V, distributions elections under Article VIII and investment elections under Article IV, and the Committee in its discretion may employ one or more persons or entities to provide advice or other assistance to Participants in making their said investment elections.

(l) To ensure that contributions (and the allocations thereof) do not exceed the limitations thereon set forth in the Plan.

(m) To authorize all disbursements by the Trustee except for the ordinary expenses of administration of the Trust.

(n) To take such action as it deems necessary and administratively feasible, including the prosecution of lawsuits, to collect from any Participant, Beneficiary or other person or entity (including without limitation the estate or heirs of a deceased Participant) any erroneous benefit payments or other amounts paid by the Plan in excess of the benefits provided for in the Plan.

(o) With respect to any Participant who is or may become subject to the reporting and short-swing profit recovery provisions of Section 16 of the Securities Exchange Act of 1934, to take any action necessary or appropriate to ensure that any transaction with respect to the portion of the Participant's Accounts invested in Common Stock complies with all applicable conditions of Rule 16b-3 promulgated under Section 16 (or its successor), including modifying or limiting the Participant's elections under the Plan that directly or indirectly affect Account investments or other transactions in Common Stock.

(p) To modify or supplement any Plan accounting method, practice or procedure, make any adjustments to Accounts, authorize special contributions, or modify or supplement any other aspect of the operation or administration of the Plan in such manner and to such extent consistent with and permitted by the Act and the Code that the Committee deems necessary or appropriate to correct errors and mistakes, to effect proper and equitable Account adjustments or otherwise to ensure the proper and appropriate administration and operations of the Plan.

Any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their Beneficiaries. All discretionary powers conferred upon the Committee shall be absolute.

9.3 Investment Manager .

The Committee, by action reflected in the minutes thereof, may appoint one or more Investment Managers, as defined in Section 3(38) of ERISA, to manage all or a portion of the assets of the Plan. An Investment Manager shall discharge its duties in accordance with applicable law and in particular in accordance with Section 404(a)(1) of ERISA. An Investment Manager, when appointed, shall have full power to manage the assets of the Plan for which it has responsibility, and neither the Company nor the Committee shall thereafter have any responsibility for the management of those assets. The Committee shall monitor the performance of any Investment Manager.

9.4 Periodic Review .

If deemed appropriate by the Committee, the Committee shall adopt an investment policy statement for the investment and reinvestment of the assets of the Plan. All actions taken by the Committee with respect to the investment policy of the Plan, including the reasons therefor, shall be fully reflected in the minutes of the Committee.

9.5 Committee Procedure .

(a) Quorum . A majority of the members of the Committee as constituted at any time shall constitute a quorum, and any action by a majority of the members present at any meeting, or authorized by a majority of the members in writing without a meeting, shall constitute the action of the Committee.

(b) Signing Authority . The Committee may designate certain of its members as authorized to execute any document or documents on behalf of the Committee, in which event the Committee shall notify the Trustee of this action and the name or names of the designated members. The Trustee, Company, Participants, Beneficiaries, and any other party dealing with the Committee may accept and rely upon any document executed by the designated members as representing action by the Committee until the Committee shall file with the Trustee a written revocation of the authorization of the designated members.

9.6 Compensation of Committee .

Members of the Committee shall serve without compensation unless the Board of Directors shall otherwise determine. However, in no event shall any member of the Committee who is an Employee receive compensation from the Plan for his services as a member of the Committee. All members shall be reimbursed for any necessary or appropriate expenditures incurred in the discharge of duties as members of the Committee. The compensation or fees, as the case may be, of all officers, agents, counsel, the Trustee, or other persons retained or employed by the Committee shall be fixed by the Committee.

9.7 Resignation and Removal of Members .

Any member of the Committee may resign at any time by giving written notice to the other members and to the Governance Committee effective as therein stated. Any member of the Committee may, at any time, be removed by the Governance Committee.

9.8 Appointment of Successors .

Upon the death, resignation, or removal of any Committee member, the Governance Committee may appoint a successor. Notice of appointment of a successor member shall be given in writing to the Trustee and to the members of the Committee. Upon termination, for any reason, of a Committee member's status as a member of the Committee, the member's status as a named fiduciary shall concurrently be terminated, and upon the appointment of a successor Committee member the successor shall assume the status of a named fiduciary as provided in Section 9.1.

9.9 Records .

The Committee shall keep a record of all its proceedings and shall keep, or cause to be kept, all such books, accounts, records, or other data as may be necessary or advisable in its judgment for the administration of the Plan and to properly reflect the affairs thereof. Nothing in this Section 9.9 shall require the Committee or any member thereof to perform any act which, pursuant to law or the provisions of this Plan, is the responsibility of the Plan Administrator, nor shall this Section relieve the Plan Administrator from such responsibility.

9.10 Reliance Upon Documents and Opinions.

(a) The members of the Committee, the Board of Directors, the Governance Committee, the Company and any person delegated under the provisions hereof to carry out any fiduciary responsibilities under the Plan (“delegated fiduciary”), shall be entitled to rely upon any tables, valuations, computations, estimates, certificates and reports furnished by any consultant, or firm or corporation which employs one or more consultants, upon any opinions furnished by legal counsel, and upon any reports furnished by the Trustee. The members of the Committee, the Board of Directors, the Governance Committee, the Company and any delegated fiduciary shall be fully protected and shall not be liable in any manner whatsoever for anything done or action taken or suffered in reliance upon any such consultant or firm or corporation which employs one or more consultants, Trustee, or counsel.

(b) Any and all such things done or actions taken or suffered by the Committee, the Board of Directors, the Governance Committee, the Company and any delegated fiduciary shall be conclusive and binding on all Employees, Participants, Beneficiaries, and any other persons whomsoever, except as otherwise provided by law.

(c) The Committee and any delegated fiduciary may, but are not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat those records as conclusive with respect to all Employees, Participants, Beneficiaries, and any other persons whomsoever, except as otherwise provided by law.

9.11 Requirement of Proof.

The Committee or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Participant, or Beneficiary, and no person shall acquire any rights or be entitled to receive any benefits under this Plan until the required proof shall be furnished.

9.12 Reliance on Committee Memorandum.

Any person dealing with the Committee may rely on and shall be fully protected in relying on a certificate or memorandum in writing signed by any Committee member or other person so authorized, or by the majority of the members of the Committee, as constituted as of the date of the certificate or memorandum, as evidence of any action taken or resolution adopted by the Committee.

9.13 Limitation on Liability.

Except as provided in Part 4 of Title I of ERISA, no person shall be subject to any liability with respect to his duties under the Plan unless he acts fraudulently or in bad faith. No person shall be liable for any breach of fiduciary responsibility resulting from the act or omission of any other fiduciary or any person to whom fiduciary responsibilities have been allocated or delegated, except as provided in Part 4 of Title I of ERISA. No action or responsibility shall be deemed to be a fiduciary action or responsibility except to the extent required by ERISA.

9.14 Indemnification.

To the extent permitted by law, the Company shall indemnify each member of the Board of Directors, the Governance Committee and the Committee, and any other Employee of the Company with duties under the Plan, against expenses (including any amount paid in settlement) reasonably incurred by him in connection with any claims against him by reason of his conduct in the performance of his duties under the Plan, except in relation to matters as to which he acted fraudulently or in bad faith in the performance of such duties. The preceding right of indemnification shall pass to the estate of such a person. The preceding right of indemnification shall be in addition to any other right to which the Board member or Committee member or other person may be entitled as a matter of law or otherwise.

9.15 Allocation of Fiduciary Responsibility.

Part 4 of Title I of ERISA permits the division, allocation and delegation between Plan fiduciaries of the fiduciary responsibilities owed to the Plan Participants. Under this concept, each fiduciary, including a Named Fiduciary, is accountable only for his own functions, except to the extent of his co-fiduciary liability under Section 405 of ERISA. In accordance with Part 4 of Title I of ERISA, the day-to-day operational, administrative and investment aspects of the Plan have been delegated to the Committee. Except to the extent expressly provided to the contrary in the Plan document, the responsibilities delegated to the Committee include, by way of illustration but not by way of limitation, such matters as:

- (i) Satisfying accounting and auditing requirements;
- (ii) Satisfying insurance and bonding requirements;
- (iii) Administering the Plan's claims procedure; and
- (iv) Appointing Investment Managers.

9.16 Bonding.

Except as is prescribed by the Board of Directors, as provided in Section 412 of ERISA, or as may be required under any other applicable law, no bond or other security shall be required by any member of the Committee, or any other fiduciary under this Plan. Notwithstanding the foregoing, for purposes of satisfying its indemnity obligations under Section 9.14, the Company may (but need not) purchase and pay premiums for one or more policies of insurance which insurance shall not release the Company of its liability under the indemnification provisions.

9.17 Prohibition Against Certain Actions.

(a) To the extent prohibited by law, in administering this Plan the Committee shall not discriminate in favor of any class of Employees and particularly it shall not discriminate in favor of highly compensated Employees, or Employees who are officers or shareholders of the Company.

(b) The Committee shall not cause the Plan to engage in any transaction that constitutes a nonexempt prohibited transaction under Section 4975(c) of the Code or Section 406(a) of ERISA.

(c) All individuals who are fiduciaries with respect to the Plan (as defined in Section 3(21) of ERISA) shall discharge their fiduciary duties in accordance with applicable law, and in particular, in accordance with the standards of conduct contained in Section 404 of ERISA.

9.18 Plan Expenses.

All expenses incurred in the establishment, administration and operation of the Plan, including but not limited to the expenses incurred by the members of the Committee in exercising their duties, shall be charged to the Trust Fund and allocated to Participants Accounts as determined by the Committee, but shall be paid by the Company if not paid by the Trust Fund. Notwithstanding the foregoing, the cost of interest and normal brokerage charges which are included in the cost of securities purchased by the Trust Fund (or charged to proceeds in the case of sales) or other charges relating to specific assets of the Plan shall be charged and allocated in a fair and equitable manner to the Accounts to which the securities (or other assets) are allocated.

**ARTICLE X
SPECIAL PROVISIONS
CONCERNING COMPANY STOCK**

10.1 Securities Transactions .

Subject to the limitations of Section 4.2(a)(iv), the Trustee shall acquire Company Stock in the open market or from the Company or any other person, including a party in interest, pursuant to a Participant's election to invest any Company Contributions, Company Matching Contributions, Before-Tax Contributions or After-Tax Contributions, in the Company Stock alternative established by the Committee in accordance with Section 4.2, or to transfer amounts held in other investment alternatives to such Company Stock alternative. No commission will be paid in connection with the Trustee's acquisition of Company Stock from a party in interest. Pending acquisition of Company Stock and pursuant to a Participant's investment election, elected amounts shall be allocated to the Participant's Company Stock subaccount in cash and may be invested in any short-term interest fund of the Trustee. Neither the Company, nor the Committee, nor any Trustee have any responsibility or duty to time any transaction involving Company Stock in order to anticipate market conditions or changes in Company Stock value. Neither the Company, nor the Committee nor any Trustee have any responsibility or duty to sell Company Stock held in the Trust Fund in order to maximize return or minimize loss.

10.2 Valuation of Company Securities .

When it is necessary to value Company Stock held by the Plan, the value will be the current fair market value of the Company Stock, determined in accordance with applicable legal requirements.

If the Company Stock is publicly traded, fair market value will be based on the most recent closing price in public trading, as reported in The Wall Street Journal or any other publication of general circulation designated by the Committee, unless another method of valuation is required by the standards applicable to prudent fiduciaries.

If the Company Stock cannot be valued on the basis of its closing price in recent public trading, fair market value will be determined by the Company in good faith based on all relevant factors for determining the fair market value of securities. Relevant factors include an independent appraisal by a person who customarily makes such appraisals, if an appraisal of the fair market value of the Company Stock as of the relevant date was obtained.

In the case of a transaction between the Plan and a party in interest, the fair market value of the Company Stock must be determined as of the date of the transaction rather than as of some other Valuation Date occurring before or after the transaction. In other cases, the fair market value of the Company Stock will be determined as of the most recent Valuation Date.

10.3 Allocation of Stock Dividends and Splits .

Company Stock received by the Trust as a result of a Company Stock split or Company Stock dividend on Company Stock held in Participants' Accounts will be allocated as of the Valuation Date coincident with or following the date of such split or dividend, to each Participant who has such an Account. The amount allocated will bear substantially the same proportion to the total number of shares received as the number of shares in the Participant's Account bears to the total number of shares allocated to such Accounts of all Participants immediately before the allocation. The shares will be allocated to the nearest thousandth of a share.

10.4 Reinvestment of Dividends .

Upon direction of the Committee, cash dividends may be reinvested as soon as practicable by the Trustee in shares of Company Stock for Participants' Accounts. Cash dividends may be reinvested in Company Stock purchased as provided in Section 10.1 or purchased from the Accounts of Participants who receive cash distributions of a fractional share or a fractional interest therein.

10.5 Voting of Company Stock .

The Trustee shall have no discretion or authority to vote Company Stock held in the Trust on any matter presented for a vote by the stockholders of the Company except in accordance with timely directions received by the Trustee from Participants, unless otherwise required by applicable law.

(a) Each Participant shall be entitled to direct the Trustee as to the voting of all Company Stock allocated and credited to his Account.

(b) All Participants entitled to direct such voting shall be notified by the Company, pursuant to its normal communications with shareholders, of each occasion for the exercise of such voting rights within a reasonable time before such rights are to be exercised. Such notification shall include all information distributed to shareholders either by the Company or any other party regarding the exercise of such rights. If a Participant shall fail to direct the Trustee as to the exercise of voting rights arising under any Company Stock credited to his Accounts, or if any Company Stock held in the Plan has not been allocated to Participants' Accounts, the Trustee shall not be required to vote such Company Stock except as otherwise required by applicable law. The Trustee shall maintain confidentiality with respect to the voting directions of all Participants.

(c) Each Participant shall be a Named Fiduciary (as that term is defined in ERISA Section 402(a)(2)) with respect to Company Stock for which he has the right to direct the voting under the Plan but solely for the purpose of exercising voting rights pursuant to this Section 10.5.

10.6 Confidentiality Procedures .

The Committee shall establish procedures intended to ensure the confidentiality of information relating to Participant transactions involving Company Stock, including the exercise of voting, tender and similar rights. The Committee shall also be responsible for ensuring the adequacy of the confidentiality procedures and monitoring compliance with such procedures. The Committee may, in its sole discretion, appoint an independent fiduciary to carry out any activities that it determines involve a potential for undue Company influence on Participants with respect to the exercise of their rights as shareholders.

10.7 Securities Law Limitation .

Neither the Committee nor the Trustee shall be required to engage in any transaction, including, without limitation, directing the purchase or sale of Company Stock, which it determines in its sole discretion might tend to subject itself, its members, the Plan, the Company, or any Participant or Beneficiary to a liability under federal or state securities laws.

**ARTICLE XI
MERGER OF COMPANY; MERGER OF PLAN**

11.1 Effect of Reorganization or Transfer of Assets.

In the event of a consolidation, merger, sale, liquidation, or other transfer of the operating assets of the Company to any other company, the ultimate successor or successors to the business of the Company shall automatically be deemed to have elected to continue this Plan in full force and effect, in the same manner as if the Plan had been adopted by resolution of its board of directors, unless the successor(s), by resolution of its board of directors, shall elect not to so continue this Plan in effect, in which case the Plan shall automatically be deemed terminated as of the applicable effective date set forth in the board resolution.

11.2 Merger Restriction.

Notwithstanding any other provision in this Article, this Plan shall not in whole or in part merge or consolidate with, or transfer its assets or liabilities to any other plan unless each affected Participant in this Plan would receive a benefit immediately after the merger, consolidation, or transfer (if the Plan then terminated) which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

**ARTICLE XII
PLAN TERMINATION AND
DISCONTINUANCE OF CONTRIBUTIONS**

12.1 Plan Termination.

(a) General. Subject to the following provisions of this Section 12.1, the Company may terminate the Plan and the Trust Agreements at any time, following authorization from the Board of Directors or any committee delegated such authority by the Board, by an instrument in writing executed in the name of the Company by an officer or officers duly authorized to execute such an instrument, and delivered to the Trustee. The Plan and Trust Agreements may terminate if the Company merges into any other corporation, if as the result of the merger the entity of the Company ceases, and the Plan is terminated pursuant to the rules of Section 11.1.

(b) No Further Contributions. Upon and after the effective date of the termination, the Company shall not make any further contributions under the Plan and no contributions need be made by the Company applicable to the Plan year in which the termination occurs, except as may otherwise be required by law.

(c) Full Vesting. The rights of all affected Participants to benefits accrued to the date of termination of the Plan, to the extent funded as of the date of termination, shall automatically become vested as of that date.

12.2 Discontinuance of Contributions.

(a) General. In the event the Company decides it is impossible or inadvisable for business reasons to continue to make contributions under the Plan, the Company by resolution of the Board of Directors or any committee delegated such authority by the Board of Directors, may discontinue contributions to the Plan. Upon and after the effective date of this discontinuance, no Participating Company or Participant shall make any further contributions under the Plan and no contributions need to be made by a Participating Company with respect to the Plan Year in which the discontinuance occurs, except as may otherwise be required by law. A Participant shall be released from any salary reduction agreement under the Plan as of the effective date of a discontinuance of contributions.

(b) No Acceleration of Distributions. The discontinuance of contributions on the part of the Company shall not terminate the Plan as to the funds and assets then held by the Trustee, or operate to accelerate any payments of distributions to or for the benefit of Participants or Beneficiaries, and the Trustee shall continue to administer the Trust Fund in accordance with the provisions of the Plan until all of the obligations under the Plan shall have been discharged and satisfied; provided that, if this discontinuance of contributions shall cause the Plan to lose its status as a qualified plan under Code Section 401(a), the Plan shall be terminated in accordance with the provisions of this Article XII.

(c) Full Vesting. On and after the effective date of a discontinuance of contributions, the rights of all affected Participants to benefits accrued to that date, to the extent funded as of that date, shall automatically become fully vested as of that date.

12.3 Rights of Participants.

In the event of the termination of the Plan, for any cause whatsoever, all assets of the Plan, after payment of expenses, shall be used for the exclusive benefit of Participants and their Beneficiaries and no part thereof shall be returned to the Company, except as provided in Section 4.3 of this Plan.

12.4 Trustee's Duties on Termination.

(a) On or before the effective date of termination of this Plan, the Trustee shall proceed as soon as possible, but in any event within six months from the effective date, to reduce all of the assets of the Trust Fund to cash and other securities in such proportions as the Committee shall determine (after approval by the Internal Revenue Service, if necessary or desirable, with respect to any portion of the assets of the Trust Fund held in common stock or securities of the Company).

(b) After first deducting the estimated expenses for liquidation and distribution chargeable to the Trust Fund, and after setting aside a reasonable reserve for expenses and liabilities (absolute or contingent) of the Trust, the Committee shall make required allocations of items of income and expense to the Accounts.

(c) Following these allocations, the Trustee shall promptly, after receipt of appropriate instructions from the Committee, distribute in accordance with Section 8.7 to each former Participant in Company Stock or cash an amount equal to the amount credited to his Accounts as of the date of completion of the liquidation.

(d) The Trustee and the Committee shall continue to function as such for such period of time as may be necessary for the winding up of this Plan and for the making of distributions in accordance with the provisions of this Plan.

(e) Notwithstanding the foregoing, distributions to Participants upon Plan termination in accordance with this Section 12.4 shall only be made if a "successor plan," within the meaning of regulations under Code Section 401(k)(10), is not established. In the event a "successor plan" is established prior to or subsequent to the termination of the Plan, the Committee shall direct the Trustee to continue to hold any assets of the Trust Fund not payable upon the termination until such assets may, at the direction of the Committee, be transferred to and held in the successor plan until distributable under the terms of that successor plan.

12.5 Partial Termination.

In the event of a partial termination of the Plan within the meaning of Code Section 411(d)(3), the interests of affected Participants in the Trust Fund, as of the date of the partial termination, shall become nonforfeitable as of that date. That portion of the assets of the Plan affected by the partial termination shall be used exclusively for the benefit of the affected Participants and their Beneficiaries, and no part thereof shall otherwise be applied. With respect to Plan assets and Participants affected by a partial termination, the Committee and the Trustee shall follow the same procedures and take the same actions prescribed in this Article XII in the case of a total termination of the Plan.

12.6 Failure to Contribute.

The failure of a Participating Company to contribute to the Trust in any year, if contributions are not required under the Plan for that year, shall not constitute a complete discontinuance of contributions to the Plan.

ARTICLE XIII APPLICATION FOR BENEFITS

13.1 Application for Benefits.

The Committee may require any person claiming benefits under the Plan to submit an application therefor, together with such documents and information as the Committee may require. In the case of any person suffering from a disability which prevents the claimant from making personal application for benefits, the Committee may, in its discretion, permit another person acting on his behalf to submit the application.

13.2 Action on Application.

(a) Within ninety days following receipt of an application and all necessary documents and information, the Committee's authorized delegate reviewing the claim shall furnish the claimant with written notice of the decision rendered with respect to the application.

(b) In the case of a denial of the claimant's application, the written notice shall set forth:

(i) The specific reasons for the denial, with reference to the Plan provisions upon which the denial is based;

(ii) A description of any additional information or material necessary for perfection of the application (together with an explanation why the material or information is necessary); and

(iii) An explanation of the Plan's claim review procedure and the claimant's right to bring civil action under federal law following a denial on appeal.

(c) A claimant who wishes to contest the denial of his application for benefits or to contest the amount of benefits payable to him shall follow the procedures for an appeal of benefits as set forth in Section 13.3 below, and shall exhaust such administrative procedures prior to seeking any other form of relief.

13.3 Appeals.

A claimant who does not agree with the decision rendered with respect to his application may appeal the decision to the Committee. The appeal shall be made, in writing, within sixty days after the date of notice of the decision with respect to the application. If the application has neither been approved nor denied within the ninety day period provided in Section 13.2 above, then the appeal shall be made within sixty days after the expiration of the ninety day period. The claimant may request that his application be given full and fair review by the Committee. The claimant may review all pertinent documents and submit issues and comments in writing in connection with the appeal.

The decision of the Committee shall be made promptly, and not later than sixty days after the Committee's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty days after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant with specific reference to the pertinent Plan provisions upon which the decision is based and shall include a statement that the claimant is entitled to receive upon request and free of charge, reasonable access to, or copies of, all documents, records or other information relevant to the Committee's decision and a statement of the claimant's right to bring civil action.

ARTICLE XIV LIMITATIONS ON CONTRIBUTIONS

14.1 General Rule.

(a) Except to the extent permitted under Section 5.2(d) of the Plan and Section 414(v) of the Code, the total Annual Additions under this Plan to a Participant's Plan Accounts shall not exceed the lesser of:

(i) Forty Thousand Dollars (\$40,000) (as adjusted for increases in the cost-of-living under Section 415(d) of the Code), or

(ii) one hundred percent (100%) of the Participant's total Compensation from the Company and any Affiliated Companies for the year, excluding amounts otherwise treated as Annual Additions under Section 14.2.

The limitation in Section 14.1(a)(ii) shall not apply to any contribution for medical benefits after separation from Service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an Annual Addition.

(b) For purposes of this Article XIV, the Company has elected a “Limitation Year” corresponding to the Plan Year.

14.2 Annual Additions .

For purposes of Section 14.1, the term “Annual Additions” shall mean, for any Limitation Year, the sum of:

- (a) the amount credited to the Participant’s Accounts from Company contributions for such Limitation Year;
- (b) any Employee contributions for the Limitation Year; and
- (c) any amounts described in Section 415(1)(1) or 419(A)(d)(2) of the Code.

14.3 Other Defined Contribution Plans .

If the Company or an Affiliated Company is contributing to any other defined contribution plan (as defined in Section 415(k) of the Code) for its Employees, some or all of whom may be Participants in this Plan, then contributions to the other plan shall be aggregated with contributions under this Plan for the purposes of applying the limitations of Section 14.1.

14.4 Affiliated Company .

For purposes of this Article XIV, the status of an entity as an Affiliated Company shall be determined by reference to the percentage tests set forth in Code Section 415(h).

**ARTICLE XV
RESTRICTION ON ALIENATION**

15.1 General Restrictions Against Alienation .

The interest of any Participant or Beneficiary in the income, benefits, payments, claims or rights hereunder, or in the Trust Fund shall not in any event be subject to sale, assignment, hypothecation, or transfer. Each Participant and Beneficiary is prohibited from anticipating, encumbering, assigning, or in any manner alienating his or her interest under the Trust Fund, and is without power to do so, except as may otherwise be provided for in the Trust Agreement. The

interest of any Participant or Beneficiary shall not be liable or subject to his debts, liabilities or obligations, now contracted, or which may be subsequently contracted. The interest of any Participant or Beneficiary shall be free from all claims, liabilities, bankruptcy proceedings, or other legal process now or hereafter incurred or arising; and the interest or any part thereof, shall not be subject to any judgment rendered against the Participant or Beneficiary. In the event any person attempts to take any action contrary to this Article XV, that action shall not be effective, and all Participants and their Beneficiaries, may disregard that action and shall not suffer any liability for any disregard of that action, and shall be reimbursed on demand out of the Trust Fund for the amount of any loss, cost or expense incurred as a result of disregarding or of acting in disregard of that action. The preceding provisions of this Section shall be interpreted and applied by the Committee in accordance with the requirements of Code Section 401(a)(13) as construed and interpreted by authoritative judicial and administrative rulings and regulations. The provisions of this Section are expressly subject to qualified domestic relations orders, as provided in Code Section 401(a)(13) (B).

15.2 Qualified Domestic Relations Orders.

(a) General. In the event that a court with jurisdiction over the Plan and the Trust Fund shall issue an order or render a judgment requiring that all or part of a Participant's interest under the Plan and in the Trust Fund be paid to a spouse, former spouse and/or children of the Participant by reason of or in connection with the marital dissolution and/or marital separation of the Participant and the spouse, and/or some other similar proceeding involving marital rights and property interests, then notwithstanding the provisions of Section 15 the Committee may, in its absolute discretion, direct the applicable Trustee to comply with that court order or judgment and distribute assets of the Trust Fund in accordance therewith. Pending distribution to an alternate payee of any portion of a Participant's vested interest in the Trust Fund, pursuant to a court order or judgment, such portion shall be segregated and invested in accordance with rules prescribed by the Committee.

(b) Order Must be a Qualified Order. The Committee's decision with respect to compliance with any such court order or judgment shall be made in its absolute discretion and shall be binding upon the Trustee and all Participants and their Beneficiaries; provided, however, that the Committee in the exercise of its discretion shall not make payments in accordance with the terms of an order which is not a qualified domestic relations order or which the Committee determines would jeopardize the continued qualification of the Plan and Trust under Section 401 of the Code. Notwithstanding the foregoing, the Committee may make a distribution to an alternate payee prior to the date the Participant attains age fifty (50), if such distribution is required by a qualified domestic relations order. Neither the Plan, the Company, the Committee nor the Trustee shall be liable in any manner to any person, including any Participant or Beneficiary, for complying with any such court order or judgment.

(c) No Obligation to Comply. Nothing in this Section 15.2 shall be interpreted as placing upon the Company, the Committee or any Trustee any duty or obligation to comply with any such court order or judgment. The Committee may, in its absolute discretion it deems it to be in the best interests of the Plan and the Participants, determine that any such court order or judgment shall be resisted by means of judicial appeal or other available judicial remedy, and in that event the Trustee shall act in accordance with the Committee's directions.

(d) Procedures. The Committee shall adopt procedures and provide notifications to a Participant and alternate payees in connection with a qualified domestic relations order, to the extent required under Code Section 414(p).

ARTICLE XVI PLAN AMENDMENTS

16.1 Amendments.

The Committee may at any time, and from time to time, amend the Plan; provided that, the Board of Directors, or any committee delegated such authority by the Board of Directors, must approve any significant changes in the Plan design and any amendments to the Plan that are likely to result in a significant cost increase to the Company or that will provide supplemental or disproportionately more favorable benefits to officers of the Company. Any amendment shall be documented by an instrument in writing executed in the name of the Company by an officer or officers duly authorized to execute such instrument, and delivered to the applicable Trustee. However, to the extent required by law, no amendment shall be made at any time, the effect of which would be:

(a) To cause any assets of the Trust Fund to be used for or diverted to purposes other than providing benefits to the Participants and their Beneficiaries, and defraying reasonable expenses of administering the Plan, except as provided in Section 4.3;

(b) To have any retroactive effect so as to deprive any Participant or Beneficiary of any accrued benefit to which he would be entitled under this Plan, in contravention of Code Section 411(d)(6), if his employment were terminated immediately before the amendment;

(c) To eliminate or reduce an optional form of benefit to the extent so doing would contravene Code Section 411(d)(6); or

(d) To increase the responsibilities or liabilities of a Trustee or an Investment Manager without his written consent.

16.2 Retroactive Amendments .

Notwithstanding any provisions of this Article XVI to the contrary, the Plan may be amended prospectively or retroactively (as provided in Section 401(b) of the Code) to make the Plan conform to any provision of ERISA, any Code provisions dealing with tax-qualified employees' trusts, or any regulation under either.

16.3 Amendment of Vesting Provisions .

If the Plan is amended in any way that directly or indirectly adversely affects the computation of a Participant's vested interest in his Accounts, each Participant who has completed at least three (3) Years of Service may elect, within a reasonable time after the adoption of the amendment, to continue to have his vested interest computed under the Plan without regard to such amendment. The period during which the election may be made shall commence when the date of the amendment is adopted and shall end on the latest of: (i) 60 days after the amendment is adopted; (ii) 60 days after the amendment is effective; or (iii) 60 days after the Participant is issued written notice of the amendment.

In the event that the Plan's vesting schedule is amended, the nonforfeitable percentage of every Employee who is a Participant on the date the amendment is adopted, or the date the amendment is effective, if later, in his Company Matching Account and/or Company Contributions Account shall be not less than his percentage computed under the Plan without regard to the amendment.

ARTICLE XVII
TOP-HEAVY PROVISIONS

17.1 Minimum Company Contributions .

In the event that this Plan is deemed a Top-Heavy plan with respect to any Plan Year, each Non-Key Employee who is a Participant shall receive Company contributions that in the aggregate are at least equal to the lesser of three percent (3%) of Compensation or the percentage at which Company contributions are made for the Key Employee (under any plan required to be

included in an Aggregation Group) for whom such percentage is the highest for the Plan Year, regardless of whether the Non-Key Employee elected to make Before-Tax Contributions to the Plan for the Plan Year, completed less than 1,000 Hours of Service during such Plan Year, or the Non-Key Employee's level of Compensation. For purposes of this Section 17.1, (A) Company contributions shall include (i) amounts considered contributed by Key Employees and which qualify for treatment under Code Section 401(k) and (ii) any Company contributions for Key Employees or Non-Key Employees taken into account under Section 401(k)(3) or 401(m) of the Code and (B) Company contributions shall not include amounts considered as contributed by Non-Key Employees and which qualify for treatment under Code Section 401(k). Further, in determining the percentage at which Company contributions are made for the Plan Year for the Key Employee for whom such percentage is the highest, the contributions for a Key Employee shall be divided by so much of a Key Employee's compensation for the Plan Year as does not exceed \$200,000, as that amount is adjusted each year by the Secretary of the Treasury.

In the event a Participant is covered by both a defined contribution and a defined benefit plan maintained by the Company, both of which are determined to be Top-Heavy Plans, the defined benefit minimum, offset by the benefits provided under the defined contribution plan, shall be provided under the defined benefit plan.

17.2 Top-Heavy Determination.

This Plan shall be deemed a Top-Heavy Plan with respect to any Plan Year in which, as of the Determination Date: (a) the aggregate of the Accounts of Key Employees under the Plan exceeds 60% of the aggregate of the Accounts of all Employees; or (b) the aggregate of the Accounts of Key Employees under all defined contribution plans and the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans includable in an Aggregation Group exceed 60% of a similar sum for all employees in such group. As used above, the term "Aggregation Group" includes all plans of Participating Companies having one or more Key Employees as Participants and any other defined contribution plan of a Participating Company that permits a plan of a Participating Company having one or more Key Employees to meet the qualification requirements of Sections 401(a)(4) or 410 of the Code.

The present value of account balances under a defined contribution plan shall be determined as of the most recent valuation date that falls within or ends on the Determination Date. The present value of accrued benefits under a defined benefit plan shall be determined as of the same valuation date used for computing plan costs for minimum funding. The present value of the cumulative accrued benefits of a Non-Key Employee shall be determined under either:

(i) the method, if any, that uniformly applies for accrual purposes under all plans maintained by affiliated companies, within the meaning of Code Sections 414(b), (c), (m) or (o); or

(ii) if there is no such method, as if such benefit accrued not more rapidly than the lowest accrual rate permitted under the fractional accrual rate of Section 411(b)(1)(C) of the Code.

For purposes of this Article XVII, "Determination Date" shall mean, with respect to any Plan Year, the last day of the preceding Plan Year, or, in the case of the first Plan Year, the last day of such Plan Year.

The term, "Key Employee" shall mean, for purposes of this Article XVII, any Employee or former Employee (including any deceased Employee) who, at any time during the Plan Year that includes the Determination Date was:

(1) an officer of a Participating Company having annual compensation in excess of \$130,000 (as adjusted under Section 416(i) of the Code for Plan Years beginning after December 31, 2002);

(2) a 5% owner of a Participating Company; or

(3) a 1% owner of a Participating Company having annual compensation in excess of \$150,000.

For purposes of (1) above, no more than 50 Employees (or, if lesser, the greater of 3 or 10% of the Employees) shall be treated as officers.

For this purpose, annual compensation means compensation within the meaning of Section 415(c) of the Code.

A 5% (or 1%, if applicable) owner means any person who owns (or is considered as owning within the meaning of Section 318 of the Code) more than 5% (1%) of the outstanding stock of the Participating Company or stock possessing more than 5% (1%) of the total combined voting power of all stock of the Participating Company.

For purposes of applying the constructive ownership rules under Section 318(a)(2) of the Code, subparagraph (C) of such Section shall be applied by substituting “5 percent” for “50 percent.”

For purposes of determining “5% owners” and/or “1% owners,” the aggregating rules of Sections 414(b), (c) and (m) of the Code shall not apply. For purposes of determining whether an Employee has compensation of more than \$150,000, however, compensation from each entity required to be aggregated under Sections 414(b), (c) and/or (m) of the Code shall be taken into account.

For purposes of determining the amount of a Participant’s Account for purposes of this Section, the amount shall include the aggregate distributions under the Plan made to or with respect to the Participant during the one year period ending on the Determination Date. In the case of a distribution made for a reason other than severance from employment, death or disability, this paragraph shall be applied by substituting “five year period” for “one year period.”

The following shall not be taken into account for purposes of determining whether this Plan is a Top-Heavy Plan: (1) any rollover to the Plan that is initiated by a Participant; (2) the account value of any Participant who is not a Key Employee with respect to any Plan Year but was a Key Employee with respect to any prior Plan Year; and (3) the account value of a Participant who has not performed services for any Participating Company during the one year period ending on the Determination Date.

17.3 Aggregation.

Each Plan of a Participating Company required to be included in an “Aggregation Group” shall be treated as a Top-Heavy Plan if such group is a “Top-Heavy Group.”

For purposes of this Article XVII, an “Aggregation Group” shall mean: (i) each plan of a Participating Company in which a Key Employee is a Participant, and (ii) each other plan of a Participating Company which enables any plan described in (i) above to meet the requirements of Section 401(a)(4) or 410 of the Code.

Any plan of a Participating Company that is not required to be included in an Aggregation Group may be treated as part of such group if such group would continue to meet the requirements of Section 401(a)(4) and 410 of the Code with such plan taken into account.

For purposes of this Section, a “Top-Heavy Group” means any Aggregation Group if the sum (as of the Determination Date) of the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans included in such group and the aggregate of the accounts of Key Employees under all defined contribution plans included in such group exceed 60% of a similar sum determined for all Employees.

**ARTICLE XVIII
MISCELLANEOUS**

18.1 No Enlargement of Employee Rights .

This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee. Nothing contained in this Plan or the Trust shall be deemed to give any Employee the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge or retire any Employee at any time. No Employee, nor any other person, shall have any right to or interest in any portion of the Trust Fund other than as specifically provided in this Plan.

18.2 Mailing of Payments; Lapsed Benefits .

(a) All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant, to the last address of any other person entitled to such payments under the terms of the Plan) furnished pursuant to Section 18.3 below.

(b) In the event that a benefit is payable under this Plan to a Participant or any other person and after reasonable efforts such person cannot be located for the purpose of paying the benefit for a period of three (3) consecutive years, upon the termination of such three (3) year period the Committee in its sole discretion may provide that the benefit be forfeited and as soon thereafter as practicable the benefit shall be applied to reduce future Company Contributions or Company Matching Contributions; provided, however, should any person entitled to such benefit thereafter claim such benefit, such benefit shall be restored. Alternatively, benefits that cannot be paid may escheat to the state in accordance with applicable state law.

(c) For purposes of this Section 18.2, the term “Beneficiary” shall include any person entitled under Section 8.9 to receive the interest of a deceased Participant or deceased designated Beneficiary. It is the intention of this provision that the benefit will be distributed to an eligible Beneficiary in a lower priority category under Section 8.9 if no eligible Beneficiary in a higher priority category can be located by the Committee after reasonable efforts have been made.

(d) The Accounts of a Participant shall continue to be maintained until the amounts in the Accounts are paid to the Participant or his Beneficiary. Notwithstanding the foregoing, in the event that the Plan is terminated, the following rules shall apply:

(i) All Participants (including Participants who have not previously claimed their benefits under the Plan) shall be notified of their right to receive a distribution of their interests in the Plan;

(ii) All Participants shall be given a reasonable length of time, which shall be specified in the notice, in which to claim their benefits;

(iii) All Participants (and their Beneficiaries) who do not claim their benefits within the designated time period shall be presumed to be dead. The Accounts of such Participants shall be forfeited at such time. These forfeitures shall be disposed of according to rules prescribed by the Committee, which rules shall be consistent with applicable law.

(iv) The Committee shall prescribe such rules as it may deem necessary or appropriate with respect to the notice and forfeiture rules stated above.

(e) Should it be determined that the preceding rules relating to forfeiture of benefits upon Plan termination are inconsistent with any of the provisions of the Code and/or ERISA, these provisions shall become inoperative without the need for a Plan amendment and the Committee shall prescribe rules that are consistent with the applicable provisions of the Code and/or ERISA.

18.3 Addresses.

Each Participant shall be responsible for furnishing the Committee with his correct current address and the correct current name and address of his Beneficiary or Beneficiaries.

18.4 Notices and Communications.

All applications, notices, designations, elections, and other communications from Participants shall be in writing, on forms prescribed by the Committee and shall be mailed or delivered to the office designated by the Committee, and shall be deemed to have been given when received by that office. Each notice, report, remittance, statement and other communication directed to a Participant or Beneficiary shall be in writing and may be delivered in person or by mail. An item shall be deemed to have been delivered and received by the Participant when it is deposited in the United States Mail with postage prepaid, addressed to the Participant or Beneficiary at his last address of record with the Committee.

18.5 Reporting and Disclosure.

The Plan Administrator shall be responsible for the reporting and disclosure of information required to be reported or disclosed by the Plan Administrator pursuant to ERISA or any other applicable law.

18.6 Governing Law.

All legal questions pertaining to the Plan shall be determined in accordance with the provisions of ERISA and the laws of the State of California. All contributions made hereunder shall be deemed to have been made in California.

18.7 Interpretation.

Article and Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any Article or Section. Unless the context clearly indicates otherwise, masculine gender shall include the feminine, and the singular shall include the plural and the plural the singular. The provisions of this Plan shall in all cases be interpreted in a manner that is consistent with this Plan satisfying the requirements of Code Section 401(a) and related statutes for qualification as a Profit Sharing Plan and the requirements of Code Section 401(k) and related statutes for qualification as a Qualified Cash or Deferred Arrangement.

18.8 Certain Securities Laws Rules.

Any election or direction made under this Plan by an individual who is or may become subject to liability under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), may be conditioned upon such restrictions as are necessary or appropriate to qualify for an applicable exemption under Section 16(b) of the Exchange Act, or any rule promulgated thereunder. To the extent required by Section 401(a)(4) of the Code, the rules under this Section 18.8 shall be administered in a non-discriminatory manner.

18.9 Withholding for Taxes .

Any payments out of the Trust Fund may be subject to withholding for taxes as may be required by any applicable federal or state law.

18.10 Limitation on Company; Committee and Trustee Liability .

Any benefits payable under this Plan shall be paid or provided for solely from the Trust Fund and neither the Company, the Committee nor the Trustee assume any responsibility for the sufficiency of the assets of the Trust to provide the benefits payable hereunder.

18.11 Successors and Assigns .

This Plan and the Trust established hereunder shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

18.12 Counterparts .

This Plan document may be executed in any number of identical counterparts, each of which shall be deemed a complete original in itself and may be introduced in evidence or used for any other purpose without the production of any other counterparts.

18.13 Military Service .

Notwithstanding any provision of this Plan to the contrary, the Plan shall provide contributions, benefits and service credit with respect to qualified military service in accordance with Code Section 414(u). Loan repayments shall be suspended under this Plan as permitted under Code Section 414(u).

IN WITNESS WHEREOF, in order to record the adoption of this Plan, Mattel, Inc. has caused this instrument to be executed by its duly authorized officer this 21 day of December, 2011, effective as of January 1, 2011, except as otherwise expressly provided herein.

MATTEL, INC.

By: /s/ Alan Kaye

Name: Alan Kaye

Title: Executive Vice President
Chief Human Resources Officer

Appendix A to the Mattel, Inc. Personal Investment Plan

The following companies are Participating Companies under the Plan:

<u>Company Name</u>	<u>Date Became a Participating Company</u>
Fisher-Price, Inc. and each other adopting employer in the F-P Savings Plan	April 1, 1997
Tyco Toys, Inc. and each other adopting employer in the Tyco Plan	January 2, 1998
PrintPaks, Inc. and each other adopting employer in the PrintPaks Plan	March 1, 1998
American Girl, Inc. (the successor to the assets and business of Pleasant Company) and such other adopting employer in the Pleasant Plan	October 1, 2001

MATTEL, INC. PERSONAL INVESTMENT PLAN

APPENDIX B

Special Rules for Employees in Puerto Rico

Effective Date: January 1, 2006

1. **Purpose and Effect**—This Appendix A sets forth the requirements that must be met in addition to those provided in the Plan, in order to meet the requirements for qualification under Sections 1165(a) and (e) of the Puerto Rico Internal Revenue Code of 1994, as amended (the “PR Code”) and, effective January 1, 2011, under Sections 1081.01(a) and (d) of the Internal Revenue Code for a New Puerto Rico (the “New PR Code”). Reference to any section of the PR Code or its regulations include reference to any comparable or succeeding provision or regulations under the New PR Code that amends, supplements, or replaces the PR Code. The provisions of this Appendix A shall be effective as of January 1, 2006, and shall apply only to those Eligible Employees of Mattel, Inc. or any other designated affiliate (collectively, the “Company”) who are bona fide residents of Puerto Rico and who perform services for the Company primarily within Puerto Rico (“Puerto Rico Employees”).
2. **Type of Plan**—It is the intent of the Company that the Plan be a profit-sharing plan as defined in Article 1165-1 of the Regulations issued under the PR Code and that it include a qualified cash or deferred arrangement pursuant to Section 1165(e)/1081.01(d) of the PR Code.
3. **Compensation**—A Puerto Rico Employee’s Compensation shall include wages within the meaning of PR Code Section 1141(a)(1)/1062.01(a)(1) for the purpose of Puerto Rico income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed. Compensation shall also include the amount of a Puerto Rico Employee’s contribution pursuant to a salary reduction agreement which is not included in gross income by reason of PR Code Sections 1022(l)/1032.06 or 1165(e)/1081.01(d).
4. **Participant Contributions**—A Puerto Rico Employee participating in the Plan may elect to make After-Tax Contributions and Before-Tax Contributions pursuant to Article V of the Plan, subject to the following conditions:
 - a. **After-tax Contributions**—Puerto Rico Employees’ After-tax Contributions which are not matched by Company Contributions may not exceed 10% of the Puerto Rico Employee’s aggregate Compensation for the taxable years during which he/she is a participant or as otherwise limited under the PR Code.
 - b. **Before-Tax Contributions**— A Puerto Rico Employee may elect to have his/her Compensation reduced subject to the limit in effect for any calendar year under Section 1165(e)(7)(A)/1081.01(d)(7)(A) of the PR Code. The limitation

contained in Section 1165(e)(7)(A)/1081.01(d)(7)(A) shall be (1) the lesser of 10% of the Puerto Rico Employee's Compensation or \$8,000 for Plan Years beginning prior to January 1, 2008; (2) \$8,000 for Plan Years beginning on or after January 1, 2008; (3) \$9,000 for the Plan Years beginning January 1, 2009 and 2010; (4) \$10,000 for the Plan Year beginning January 1, 2011; (5) \$13,000 for the Plan Year beginning January 1, 2012; and (6) \$15,000 for the Plan Years beginning on and after January 1, 2013, or as otherwise provided under the PR Code. In addition, for Plan Years prior to January 1, 2011, if the Puerto Rico Employee contributes to a Puerto Rico individual retirement account as described in PR Code Section 1169, the maximum amount of his/her Before-Tax Contributions may not exceed the difference, if any, between the amount available as a contribution up to the maximum limit and the contribution made to a Puerto Rico individual retirement account, or as otherwise provided under the PR Code.

In the event the Plan Administrator determines or is informed that Before-Tax Contributions exceeded the limitations of the PR Code with respect to a calendar year, any excess deferrals together with any income allocable to such deferrals by a Puerto Rico Employee shall be distributed to such Puerto Rico Employee as soon as administratively practicable but no later than twelve months following the end of the calendar year in which such excess deferral was made, pursuant to a uniform and nondiscriminatory procedure established by the Plan Administrator.

5. **Catch-up Contributions**—Puerto Rico Employees participating in the Plan who have reached age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of Section 1165 (e)(7)(C)/1081.01(d)(7) (C) of the PR Code. Effective for the Plan Year beginning January 1, 2006, a Puerto Rico Employee may contribute up to \$500 to the Plan as a catch-up contribution. For Plan Years 2007 through 2011, a Puerto Rico Employee may contribute up to \$1,000 to the Plan as a catch-up contribution and for Plan Years 2012 and thereafter \$1,500, or as otherwise provided under the PR Code.
6. **Highly Compensated Puerto Rico Participant**—Any Puerto Rico Employee who, determined on the basis of Compensation for each Plan Year, has greater Compensation than two-thirds of all other Puerto Rico Employees (or as otherwise defined under the PR Code) will be considered a Highly Compensated Puerto Rico Participant. Effective January 1, 2011, Highly Compensated Puerto Rico Participant means any Puerto Rico Employee who: (a) is an officer, (b) is a five percent owner of the voting stock or the total value of all classes of stock; (c) has received compensation from the employer in excess of \$110,000 (as established under Code Section 414(q)(1) (B)), or (d) is the spouse or dependent of any individual described in (a)-(c), or as otherwise defined under the PR Code.

7. **Limitation on Puerto Rico Employees Before-Tax Contributions**—For each Plan Year, in addition to satisfying the nondiscrimination tests as provided in the Plan, the Plan shall also satisfy the Average Deferral Percentage (“ADP”) Test of PR Code Section 1165(e)(3)/1081.01(d)(3) and Article 1165-8 of the regulations issued there under.

In no event shall the ADP of the Highly Compensated Puerto Rico Participants for any calendar year exceed the greater of:

- a. the ADP of all other Highly Compensated Puerto Rico Participants for such calendar year multiplied by 1.25; or
- b. the ADP of all other Puerto Rico Participants for such calendar year multiplied by 2.0, provided that the ADP of Highly Compensated Puerto Rico Participants does not exceed that of all other Puerto Rico Participants by more than two percentage points.

The ADP of a group of Puerto Rico Employees for a Plan Year shall be the average of the ratios, calculated separately for each Puerto Rico Employee in such group, of the amount of Before-Tax Contributions actually paid to the Trust Fund on behalf of such Puerto Rico Employees for such Plan Year to the Compensation of such Puerto Rico Employees for such Plan Year. For these purposes, catch-up contributions made pursuant to Section 5 are not included as part of the ADP Test. If more than one plan providing a cash or deferred arrangement (within the meaning of Section 1165(e)/1081.01(d) of the PR Code) is maintained by the Company or an affiliated employer, the ADP of any Highly Compensated Puerto Rico Participant who participates in more than on such plan or arrangement shall be determined as if all such arrangements were a single plan or arrangement. If two or more plans are aggregated for purposes of Sections 1165(a)(3) or 1165(a)(4)/1081.01(a)3 or 1081.01(a)4 of the PR Code, such plans shall be aggregated for purposes of determining the ADP of the Puerto Rico Employees as if all such plans were a single plan.

In the event that there are contributions in excess of the limitation described in paragraphs a. and b. (“Excess Contributions”), (i) the amount of Excess Contributions for a Highly Compensated Puerto Rico Participant, and any earnings thereto, shall be distributed no later than the close of the following Plan Year or (ii) the amount of Excess Contributions for a Highly Compensated Puerto Rico Participant shall be recharacterized as currently taxed contributions subject to the provisions of the Plan and the PR Code, under the leveling method beginning with the Puerto Rico Participant Highly Compensated Employee with the highest ADP, to the extent required to satisfy the ADP limitations. In addition, the Plan Administrator may elect to make Employer Qualified Contributions under Article VI of the Plan in the form of qualified non elective or qualified matching contributions as defined under the PR Code that comply with the PR Code and Regulations for purposes of complying with this test.

Notwithstanding any provision of this Appendix A to the contrary, effective January 1, 2011, the Plan Administrator must aggregate all Puerto Rico Employees employed by the Company and any affiliated employer in Puerto Rico that participates in the Plan for purposes of determining compliance by the Plan with the ADP test of Section 1165 / 1081.01 of the PR Code and the determination of Puerto Rico Participants Highly Compensated Employees.

-
8. **Adjustment of a Participant's After-Tax Contributions and Before-Tax Contributions**—The Plan Administrator may, in its sole discretion, decrease or suspend the amount of the After-Tax Contributions or Before-Tax Contributions to be made for the benefit of any Puerto Rico Employee if the Plan Administrator deems such decrease or suspension to be necessary to satisfy any of the following:
- a. the limits described in Sections 4 and 5 of this Appendix A; or
 - b. in the case of Before-Tax Contributions, the nondiscrimination requirement of Section 7 of this Appendix A.

In addition, in the case of Before-Tax Contributions, if during any payroll period, the Plan Administrator determines that Before-Tax Contributions would exceed the aforementioned limitations imposed by the PR Code, any additional Before-Tax Contributions may be treated as After-tax Contributions for the remainder of the calendar or Plan Year, as applicable, pursuant to a uniform and nondiscriminatory procedure established by the Plan Administrator.

Notwithstanding any other provision of the Plan or this Appendix A, upon the return of any Before-Tax Contributions pursuant to Sections 4(b) or 7 above, any Company Contributions which were made on account of such Before-Tax Contributions shall be forfeited.

9. **Rollover and Transfer Provisions**—Rollovers or transfers to the Plan under Section 8.8 of the Plan by a Puerto Rico Employee are limited to the amounts distributed from an employee plan that qualifies under Section 1165(a)/1081.01(a) of the PR Code and under Sections 401(a) and (k) of the Code.

Notwithstanding any provision of the Plan to the contrary, any “distributee” (as defined below) who is entitled to receive a distribution of benefits under the Plan may elect to have all of such distribution that qualifies as an “eligible rollover distribution” (as defined below) paid directly to a single eligible retirement plan specified by such individual. The Plan Administrator shall establish uniform procedures for making such direct rollover elections. Any amount that is a distribution on account of hardship shall not be an “eligible retirement distribution” for purposes of this Section 9, and the distributee may not elect to have any portion of such distribution paid directly to an eligible retirement plan. For purposes of this Section, the following terms have the following meanings:

- (a) a “distributee” means: (i) a Puerto Rico Employee, (ii) the surviving spouse of a Puerto Rico Employee, (iii) a spouse or former spouse of a Puerto Rico Employee who is an Alternate Payee, or (iv) a non-spouse Beneficiary of a Puerto Rico Employee, or as otherwise provided under the PR Code.

-
- (b) an “eligible retirement plan” means an individual retirement account described in Section 1169(a)/ 1081.02(a) of the PR Code, an individual retirement annuity described in Section 1169(b)/ 1081.02(b) of the PR Code; or a qualified trust described in Section 1165(a)/1081.01(a) of the PR Code that accepts rollovers.
- (c) an “eligible rollover distribution” means any lump sum distribution, including After-Tax Contributions and earnings thereon. Effective January 1, 2011, for purposes of this Section 7, an “eligible rollover distribution” means any lump sum distribution of all of the taxable balance to the credit of the Distributee, or a partial taxable distribution received after the Puerto Rico Employee’s separation from service, or as otherwise defined and/or permitted under the PR Code.
10. **Hardship Withdrawals**—Hardship withdrawals of a Puerto Rico Employee under Section 8.6(d) of the Plan shall be permitted for such other event as the PR Code regulations or the Puerto Rico Department of the Treasury may allow. Furthermore, a Puerto Rico Participant who makes a hardship withdrawal: (i) shall not be entitled to make Before-Tax Contributions or After-tax Contributions for twelve months following the date of receipt of the hardship withdrawal, and (ii) for the taxable year following the year of the hardship withdrawal, the annual limitation imposed by the PR Code on Before-Tax Contributions shall be reduced by the amount of Before-Tax Contributions made in the year of the hardship withdrawal.
11. **After-Tax Withdrawals**— Effective on and after August 1, 2011, a Puerto Rico Employee who makes an in-service distribution not on account of hardship of After-tax Contributions under Section 8.6 of the Plan may not make Before-Tax Contributions or After-tax Contributions during the three months following the month in which such Puerto Rico Participant made the in-service distribution.
12. **Rollover Withdrawals**—A Puerto Rico Employee who makes an in-service distribution not on account of hardship of Rollover Contributions under Section 8.6 of the Plan may not make Before-tax Contributions or After-tax Contributions during the three months following the month in which such Puerto Rico Employee made the in-service distribution.
13. **Age 59-1/2 and Over Withdrawals**— A Puerto Rico Employee who makes an in-service distribution of Before-Tax Contributions after age 59-1/2 pursuant to Section 8.6 of the Plan may not make Before-Tax Contributions or After-tax Contributions during the three months following the month in which such Puerto Rico Employee made the in-service distribution.
14. **Loans**— Loans to Puerto Rico Employees shall be subject to the same terms and conditions under Section 8.16 of the Plan and to any applicable rules under the PR Code.

15. **Company Contributions**—To the extent permissible under ERISA, each contribution made by the Company to the Plan is expressly conditioned on the deductibility of such contribution under Section 1023(n)/1033.09 of the PR Code for the taxable year for which contributed. If the Puerto Rico Department of the Treasury disallows the deduction, or if the contribution was made by a mistake of fact, to the extent permissible under ERISA, such contributions shall be returned to the Company within one (1) year after the disallowance of the deduction (to the extent disallowed), or after the payment of the contribution, respectively.
16. **Payment of Contributions**—Contributions to the Plan by the Company shall be paid to the Trustee not later than the due date for filing the Company's Puerto Rico income tax return for the taxable year in which such payroll period falls, including any extension thereof.
17. **Right to Amend the Plan**—In addition to the provisions under Article XVI of the Plan, the Company reserves the right to amend or modify the Plan to ensure the continued qualification of the Plan under PR Code Sections 1165(a) and (e)/1081.01(a) and (d).
18. **Plan Merger**—Any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to, another trust fund as applied to a Puerto Rico Employee under Article XI of the Plan will be limited to the extent such other plan and trust are qualified under Section 1165(a)/1081.01(a) of the PR Code.
19. **Plan Termination or Discontinuance of Contributions**—Notwithstanding any provision of the Plan to the contrary, the Trustee shall not be required to make any distribution from the Trust Fund to a Puerto Rico Participant in the event the Plan is terminated, until such time as the Puerto Rico Department of the Treasury shall have determined in writing that such termination will not adversely affect the prior qualification of the Plan under the PR Code.
20. **Annual Limit on Compensation**—Effective January 1, 2012, the Plan's definition of the term "Compensation" incorporates the compensation limitation in effect under Section 1081.01(a)(12) of the PR Code for the Plan Year. To the extent permitted under the PR Code, such limitation shall be the same limitation established under Code Section 401(a)(17) and as described in Plan Section 2.13(e). Therefore, when, in a Plan Year, the amount of a Puerto Rico Employee's Compensation reaches such Compensation limitation, the Puerto Rico Employee is barred from making further contributions.
21. **Annual Limit as addition to Defined Contribution Plan**—Effective January 1, 2012, and subject to the requirements under PR Code Section 1081.01(a)(11)(B), the Annual Additions allocated or attributed to a Puerto Rico Employee for any Plan Year shall not exceed the lesser of the following:
 - (i) \$49,000 (subject to cost-of-living adjustments established under the PR Code); or
 - (ii) 100% of the Puerto Rico Employee's compensation for such year, as defined under the PR Code.

For purposes of this section, all defined contribution plans of the Company in Puerto Rico shall be aggregated as a single defined contribution plan. Subject to the regulations to be established under the PR Code, if a Participant's Annual Additions would exceed the foregoing limitation, then such Annual Additions shall be reduced by reducing the components thereof as necessary in the order established under the PR Code. Any amounts so reduced shall not be included in a Participant's Before-Tax Contributions, or as otherwise established under the PR Code. To the extent permitted under the PR Code, this limitation will be administered similar to the same limitation established under Code Section 415, as described in Article XIV of the Plan.

22. **Deadline to File Claim**—To be considered timely under the Plan's claim and review procedure established under Article XIII, a claim must be filed with the Committee within two (2) years after the claimant knew or reasonably should have known of the principal facts upon which the claim is based.
23. **Deadline to File Legal Action**— A Puerto Rico Employee or his Beneficiary may not bring a lawsuit to recover benefits under the Plan until he has exhausted the internal administrative process established under Article XIII. No legal action may be commenced at all unless commenced no later than one (1) year following the issuance of a final decision on the claim for benefits, or the expiration of the final appeal decision period if no decision is issued. This 1 year statute of limitations on suits for all benefits shall apply in any forum where the Puerto Rico Employee or Beneficiary may initiate such suit.
24. **Governing Law**—With respect to the Puerto Rico Employees, the Plan will be also governed and construed according to the PR Code, where such law is not in conflict with the applicable federal laws.
25. **Use of Terms**—All terms and provisions of the Plan shall apply to this Appendix A, except that where the terms and provisions of the Plan and this Appendix A conflict, the terms and provisions of this Appendix A shall govern.

M ATTEL , I NC .
 S UMMARY OF C OMPENSATION OF
 THE N ON -E MPLOYEE M EMBERS OF THE
 B OARD OF D IRECTORS

RE M UNERATION

Annual Board Retainer:

Non-employee members of the Board (each, a “Director”) receive a cash retainer of \$100,000 per year.

- Retainer payable annually to new and continuing Directors, as of the date of the Annual Meeting of Stockholders (or, in the case of a new Director who joins the Board between the date of the Annual Meeting and the end of the calendar year, as of the date the Director joins the Board).
- Continuing Directors may elect in advance to receive all or a portion of the annual Board retainer in Mattel common stock pursuant to the Mattel, Inc. 2010 Equity and Long-Term Compensation Plan (the “2010 Plan”)
 - *The number of shares will be calculated based on the fair market value of Mattel common stock on the date of the Annual Meeting.*
 - *The election will be irrevocable with respect to the year for which it is made.*
- If no elections are made, the Director will receive the entire retainer in cash.

Chairman of the Board Retainer:

The non-employee Chairman of the Board (Robert E. Eckert) receives an additional cash retainer as determined by the Board from time to time

Independent Presiding Director (“Presiding Director”) Retainer:

The Presiding Director receives an additional cash retainer of \$30,000 per year, commencing in 2010.

- Retainer payable annually to the Presiding Director, as of the date of the Annual Meeting of Stockholders (or, in the case of a Director who is appointed as Presiding Director between the date of the Annual Meeting of Stockholders and the end of the calendar year, as of the date upon which the Director is first appointed as Presiding Director).

Mattel, Inc.
Board of Directors – Compensation Summary

Committee Chair Retainer:

Each non-employee Committee Chair receives an additional cash retainer per year:

- Audit—\$20,000
- Compensation—\$20,000
- Other Committees—\$10,000
- Retainer payable annually to new and continuing Committee Chairs, as of the date of the Annual Meeting of Stockholders (or, in the case of a Director who is appointed as a Committee Chair between the date of the Annual Meeting and the end of the calendar year, as of the date upon which the Director is first appointed as a Committee Chair).

Audit Committee Retainer:

Each member of the Audit Committee receives an additional cash retainer of \$10,000 per year.

- Retainer payable annually to new and continuing committee members, as of the date of the Annual Meeting of Stockholders (or, in the case of a Director who is appointed to the committee between the date of the Annual Meeting and the end of the calendar year, as of the date upon which the Director is first appointed to the committee).

Annual Equity Grant:

Pursuant to resolutions adopted by the Compensation Committee, upon the date of each Annual Meeting of Stockholders commencing with the 2009 Annual Meeting (or, in the case of a new Director who joins the Board between the date of the Annual Meeting and the end of the calendar year, as of the date the Director joins the Board), each new and continuing Director will be granted restricted stock units with dividend equivalent rights (“RSUs”), with the amount of RSUs determined as follows: each grant will have a dollar value of \$100,000 on the date of grant (effective beginning on the date of the 2012 Annual Meeting of Stockholders, each grant will have a dollar value of \$120,000 on the date of the grant), and the dollar value will be converted to a number of RSUs by dividing the dollar value by the fair market value of Mattel common stock on the date of grant, with the resulting amount rounded to the nearest number of whole RSUs. The RSUs will vest pro rata on a quarterly basis following the date of grant, but the shares generally will not be delivered until the earlier of the third anniversary of the date of grant or departure from the Board.

Mattel, Inc.
Board of Directors – Compensation Summary

D EFERRED C OMPENSATION

Directors may elect in advance to defer under the Mattel, Inc. Deferred Compensation Plan for Non-Employee Directors (“Director Plan”):

- all or part of the following annual retainer fees:
 - o Board annual retainer fee
 - o Presiding Director retainer fee;
 - o Chairman of the Board retainer fee;
 - o Committee Chair retainer fee;
 - o Audit Committee retainer fee; and
- all of their annual RSU awards.

Elections to defer annual retainer fees and/or equity compensation may be made prior to the end of the calendar year immediately preceding the calendar year in which such annual retainer fees and equity compensation will be paid. Each such election will apply only for the upcoming calendar year and will be irrevocable with respect to the year for which it is made. The number of phantom shares deferred into the Director Plan will be calculated based on the fair market value of Mattel common stock on the date of the Annual Meeting.

Newly-elected Directors may not defer any annual retainer fees or equity compensation received in the year of their election to the Board.

Retainer fees deferred under the Director Plan may be allocated to a number of investment options that mirror the investment funds available under the Company’s management deferred compensation plan. Retainer fees allocated to the Mattel stock equivalent account must remain in that account until distributed.

RSUs deferred under the Director Plan, and any related dividend equivalent payments, will be credited to a Mattel stock equivalent account and amounts attributable to such RSU deferrals must be paid in the form of Mattel common stock.

At the Director’s advanced election, annual retainer fees and equity compensation deferred with respect to a calendar year (and earnings thereon) may be paid in a lump sum or installments over a period of 10 years commencing after the applicable Director ceases to serve on the Board or achieves a specified age set forth in his or her deferral election (which age cannot exceed 72). If a Director’s plan-year balance is less than \$5,000, distribution of such balance will be made in a lump sum. If a Director makes a deferral election with respect to his or her RSU award, the Director will not recognize income upon the vesting in the deferred RSUs.

Mattel, Inc.
Board of Directors – Compensation Summary

STOCK OWNERSHIP

The Board has, as part of its Guidelines on Corporate Governance, adopted a stock ownership requirement for Directors, in which each Director is to achieve a target minimum level of stock ownership, in an amount equal to five times the annual Board retainer, within five years of joining the Board. This requirement is set forth in the Mattel, Inc. Board of Directors Amended and Restated Guidelines on Corporate Governance.

In August 2010, the Board provided then-current Directors until May 1, 2013 to achieve the new 5 times multiple target stock ownership level.

MISCELLANEOUS / OTHER BENEFITS

Expense Reimbursement and Travel:

Mattel will pay all appropriate expenses for Directors' travel on Board business. In most cases, and based on the Director's preference, Mattel will handle any travel arrangements, book airline and hotel reservations and cover billings. Directors are permitted to use aircraft leased by Mattel for purposes of travel on Board business. If the Director prefers, Mattel will reimburse appropriate travel expenses for travel on Board business, including ground transportation (such as taxis and airport limousines), first class air travel, the reasonable cost of charter flights, and, if the Director uses a non-Mattel private aircraft to travel on Mattel Board business, the amount reimbursable under applicable Federal Aviation Regulations, which generally would include variable trip-specific costs or direct operating costs of the travel on Mattel Board business, but not fixed costs such as management fees, capital costs or depreciation.

Charitable Gifts:

Directors may recommend that the Mattel children's foundation make gifts of up to a total of \$15,000 each year to one or more non-profit public charities. The foundation also matches up to \$5,000 annually for any personal gifts made by the Director.

Liability Insurance/Indemnification:

Directors are provided with liability insurance under a directors, officers and corporate liability insurance policy. Directors are also provided with indemnification in accordance with the Company's bylaws and Delaware law.

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

<u>(Unaudited; in thousands, except ratios)</u>	<u>For the Year</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Earnings Available for Fixed Charges:					
Income from continuing operations before income taxes and cumulative effect of changes in accounting principles	\$ 970,673	\$846,825	\$660,047	\$487,964	\$703,398
Add: Non-controlling interest losses in consolidated subsidiaries	—	—	222	262	255
Add:					
Interest expense	75,332	64,839	71,843	81,944	70,974
Appropriate portion of rents (a)	30,696	34,544	34,439	29,833	28,245
Earnings available for fixed charges	<u>\$1,076,701</u>	<u>\$946,208</u>	<u>\$766,551</u>	<u>\$600,003</u>	<u>\$802,872</u>
Fixed Charges:					
Interest expense	\$ 75,332	\$ 64,839	\$ 71,843	\$ 81,944	\$ 70,974
Appropriate portion of rents (a)	30,696	34,544	34,439	29,833	28,245
Fixed charges	<u>\$ 106,028</u>	<u>\$ 99,383</u>	<u>\$106,282</u>	<u>\$111,777</u>	<u>\$ 99,219</u>
Ratio of earnings to fixed charges	<u>10.15X</u>	<u>9.52X</u>	<u>7.21X</u>	<u>5.37X</u>	<u>8.09X</u>

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

SUBSIDIARIES OF MATTEL, INC.

<u>Subsidiaries</u> ¹	<u>Jurisdiction in Which Organized</u>	<u>Percentage of Voting Securities Owned Directly or Indirectly By Parent</u> ²
American Girl Brands, LLC	Delaware	100%
Mattel Asia Pacific Sourcing Limited	Hong Kong	100%
Mattel Europa B.V.	The Netherlands	100%
Mattel Europe Holdings B.V.	The Netherlands	100%
Mattel Europe Marketing B.V.	The Netherlands	100%
Mattel Finance, Inc.	Delaware	100%
Mattel Foreign Holdings Ltd.	Bermuda	100%
Mattel International Finance B.V.	The Netherlands	100%
Mattel International Holdings B.V.	The Netherlands	100%
Mattel Investment, Inc.	Delaware	100%
Mattel Marketing Holdings Pte. Ltd.	Singapore	100%
Mattel Overseas Operations Ltd.	Bermuda	100%
Mattel Overseas, Inc.	California	100%
Mattel Sales Corp.	California	100%

¹ All of the subsidiaries listed above are included in the consolidated financial statements. Inactive subsidiaries and subsidiaries that, when considered in the aggregate, do not constitute a significant subsidiary have not been included in the above list.

² Parent refers to Mattel, Inc. (a Delaware corporation) and excludes Directors' qualifying shares.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-134740) and Form S-8 (No. 33-51454, No. 333-01061, No. 333-03385, No. 333-32294, No. 333-64984, No. 333-75145, No. 333-89458, No. 333-101200, No. 333-125059, No. 333-147472, No. 333-158887, No. 333-165046, and No. 333-166759) of Mattel, Inc. and its subsidiaries of our report dated February 23, 2012 relating to the financial statements, financial schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 23, 2012

CERTIFICATION

I, Bryan G. Stockton, certify that:

1. I have reviewed this annual report on Form 10-K of Mattel, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2012

By: _____ /s/ BRYAN G. S TOCKTON
Bryan G. Stockton
Chief Executive Officer
(Principal executive officer)

CERTIFICATION

I, Kevin M. Farr, certify that:

1. I have reviewed this annual report on Form 10-K of Mattel, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2012

By: _____ /s/ K EVIN M. F ARR
Kevin M. Farr
Chief Financial Officer
(Principal financial officer)

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Mattel, Inc. a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission (the "Report"), Bryan G. Stockton, Chief Executive Officer, and Kevin M. Farr, Chief Financial Officer, of the Company, do each hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2012

By: _____ / s / **B RYAN G. S TOCKTON**
Bryan G. Stockton
Chief Executive Officer, Mattel, Inc.

_____ / s / **K EVIN M. F ARR**
Kevin M. Farr
Chief Financial Officer, Mattel, Inc.