To Our Shareholders:

I often say that at Mattel we have a lot to play with and a lot to play for and I believe this aptly describes where we are today. We are a company with a great legacy and deep heritage and our iconic brands continue to transcend generations. We have a world-class team of creative talent and business leaders united by our passion to create innovative products and experiences that inspire, entertain and develop kids through play.

Since becoming CEO in April 2018, I’ve had the privilege of leading this great organization that is committed to transforming Mattel into an IP-driven, high-performing toy company. To do this, we are successfully executing our two-part strategy.

In the short-to-mid-term, we are working to restore profitability by reshaping operations and to regain topline growth by growing our Power Brands and expanding our brand portfolio.

In the mid-to-long term, we will aim to capture the full value of our IP through franchise management and the development of our online retail and e-commerce capabilities.

Progress on Short-to-Mid Term Strategic Priorities

In 2018, we made meaningful progress towards executing our strategy and demonstrated tangible results even in the face of considerable retail disruption in the global toy industry:

- We achieved $521 million of run-rate cost savings exiting 2018;
- We reported the first full year gross margin improvement since 2013;
- We delivered the largest year-over-year improvement in operating income since 2012;
- Barbie® achieved its highest full year gross sales in the last five years;
- Hot Wheels® reached its highest annual sales in its 50-year history; and
- We recaptured our position as the #1 global toy company.

Our performance last year is a testament to Mattel’s strong brands, our ability to execute methodically even in tough market conditions, as well as our strategic and long-standing relationships with our retail partners.

Barbie and Hot Wheels continued their momentum throughout 2018. Barbie was the number one global fashion doll property last year. We look forward to celebrating Barbie’s 60th anniversary throughout 2019 with a number of exciting product launches and events to continue to keep the brand on the leading-edge of relevance for kids. Equally impressive was the performance of Hot Wheels, the #1 property globally in the vehicles supercategory in 2018.

We are also encouraged by our positive momentum with third-party IP, which presents a clear avenue for incremental revenue. In 2018, Jurassic World™ exceeded all expectations, delivering the biggest toy year ever for the franchise in partnership with NBCUniversal. This is a great example of how we are advancing Mattel as a partner of choice for third-party IP owners by leveraging our worldwide reach through innovation and global execution capabilities.

In addition to the resonance of our brands, Mattel teams around the world worked diligently in collaboration with retailers as they leaned into their toy aisles to ensure that our toy franchises would be well-received throughout the holiday season and beyond.

Laying the Groundwork for our Mid-to-Long Term Strategic Priorities

Mattel is the proud owner of one of the strongest portfolios of kids and family entertainment franchises in the world - running deep across demographics and toy categories.

Because toys play a role in every child’s development and upbringing, they can drive an incredibly high level of engagement and emotional connection. And with that built-in relationship, there is a very natural opportunity for us to extend our toy franchises into new areas to drive top-line performance and greater profitability.

Over the past year, we have begun laying the groundwork to capture the full value of our IP through adjacent, highly-accrative business verticals.

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1 Mattel Financials for below list, except as otherwise noted.
2 Source: The NPD Group/Retail Tracking Service/G12/Jan-Dec 2018/Total Toys/Adjusted USD
3 Source: The NPD Group/Retail Tracking Service/G12/Jan-Dec 2018/Fashion Dolls Class/Adjusted USD
4 Source: The NPD Group/Retail Tracking Service/G12/Jan-Dec 2018/Vehicles Supercategory/Adjusted USD
5 Mattel Internal Analysis
Central to this strategy is our creation of Mattel Films, Mattel Television and our Global Franchise Management organization, with newly-appointed senior leadership. Key highlights include:

*Mattel Films has already made several announcements* for the first ever live-action feature films for some of our key franchises in partnership with major film studios. These include Barbie and Hot Wheels with Warner Bros. Pictures Group, Masters of the Universe® with Sony Pictures Entertainment and American Girl® and View-Master® with Metro Goldwyn Meyer Pictures (MGM).

We have created a virtual studio model with a capital-light business strategy designed to drive opportunities for upside, while mitigating financial risk. Mattel Films will partner with major studios and key talent, "quarterback" the creative process, take a proactive role in the development of the storylines and bring to the table our first-hand expertise and knowledge of these iconic brands.

*Mattel Television recently announced a slate of 22 television programs that we are taking to market.* This slate encompasses both animated and live action television programs, developed on the basis of Mattel’s iconic and globally-recognized characters and franchises, as well as new IP. These programs are being developed for multi-platform distribution.

*Our Global Franchise Management Organization is targeting opportunities to develop our IP and extend our iconic franchises across digital gaming, live events, music and consumer products.* We look forward to giving consumers more opportunities to engage with our brands across these formats and platforms.

**Positioned for Continued Leadership: Better Leveraging our Category Expertise and Design Excellence**

With our transformation under way, we also made fundamental changes that will better leverage our category expertise and design excellence to strengthen our leadership position.

*We restructured our Global Brand Team by category to align our structure with our strategy.* This enables our best talent to manage our extensive portfolio rather than individual franchises, while at the same time leveraging our Power Brands as category flagships. This will also drive increased collaboration as we aim to bring more marketing opportunities, cross promotions and game-changing products to the market.

*We consolidated our design and product development teams.* This will ensure that the best ideas get the most creative exposure, while enabling complete integration of our creative process. Having our innovative design and development teams working more closely with each other will be a major contributor to our continued leadership when it comes to creating products and experiences that inspire, entertain and develop kids through play.

These structural changes to our organization reflect a performance-driven, results-oriented, culture which is built on collaboration, innovation and execution. At the core of these organizational changes is a commitment to empower decision-making and drive accountability at all levels.

**Continuing to Deliver Tangible Results**

After a year of solid execution, we are clearly advancing our strategy to transform Mattel into an IP-driven, high-performing toy company. I am confident we have the right strategy, the right assets and the right team to continue to deliver tangible results.

In 2019, we remain focused on executing our plan methodically and driving Mattel towards sustainable, profitable growth. This will position us well for continued momentum and long-term value creation for our shareholders.

Thank you for your continued support.

Sincerely,

Ynon Kreiz
Chairman of the Board and Chief Executive Officer