



February 1, 2013

Mattel Reports 2012 Financial Results and Declares Quarterly Dividend

Fourth Quarter Highlights

- Worldwide net sales up 5% from the prior year;
- North American¹ gross sales up 5% and International gross sales up 8%;
- Worldwide gross sales for core brands: Barbie® down 4%; Hot Wheels® up 2%; Fisher-Price® up 6% and American Girl® up 13%;
- Gross margin increased 40 basis points of net sales; SG&A increased 710 basis points of net sales; adjusted SG&A increased 100 basis points, excluding a litigation charge of \$137.8 million;
- Operating income was \$373.5 million; adjusted operating income was \$511.3 million, excluding the litigation charge, compared to operating income of \$497.5 million in the fourth quarter of 2011; and
- Earnings per share of \$0.87; adjusted earnings per share of \$1.12, excluding the litigation charge, vs. prior year of \$1.07.

Full-Year Highlights

- Worldwide net sales up 2% from the prior year;
- North American gross sales up 2% and International gross sales up 4%;
- Worldwide gross sales for core brands: Barbie down 3%; Hot Wheels up 2%; Fisher-Price up 4%; and American Girl up 11%;
- Gross margin increased 290 basis points of net sales; SG&A increased 360 basis points of net sales; adjusted SG&A increased 150 basis points, excluding the litigation charge;
- Operating income was \$1.02 billion; adjusted operating income was \$1.16 billion, excluding the litigation charge, compared to operating income of \$1.04 billion for the full-year 2011; and
- Earnings per share of \$2.22; adjusted earnings per share of \$2.47, excluding the litigation charge, vs. prior year of \$2.18.

Capital Deployment

- Board declared 2013 first quarter cash dividend of \$0.36 per share, reflecting an annualized dividend of \$1.44 per share, which represents a 16% increase to last year's total dividends; and
- For the 2012 fourth quarter, the Company repurchased 1.4 million shares of its common stock at a cost of approximately \$51 million, and for the year, the Company repurchased 2.3 million shares of its common stock at a cost of approximately \$78 million.

EL SEGUNDO, Calif.--(BUSINESS WIRE)-- Mattel, Inc. (NASDAQ:MAT) today reported 2012 fourth quarter and full-year financial results. For the fourth quarter, the Company reported net income of \$306.5 million, or \$0.87 per share, and adjusted net income of \$393.6 million, or \$1.12 per share, excluding the litigation charge discussed below, compared to last year's fourth quarter net income of \$370.6 million, or \$1.07 per share. For the year, the Company reported net income of \$776.5 million, or \$2.22 per share, and adjusted net income of \$863.6 million, or \$2.47 per share, excluding the litigation charge, compared to last year's net income of \$768.5 million, or \$2.18 per share.

"We had another great year at Mattel with record sales for both total company and our International division, stronger gross margins and our second year of more than \$1 billion in operating profit," said Bryan G. Stockton, chairman and chief executive officer of Mattel. "These results are particularly gratifying given the challenging global economic and cost environment."

Financial Overview

For the fourth quarter, net sales were \$2.26 billion, a 5% increase from \$2.15 billion last year, including an unfavorable impact of changes in currency exchange rates of 1 percentage point. On a regional basis, fourth quarter gross sales were up 5% in the North American Region, which consists of the U.S., Canada and American Girl, including a favorable impact of currency exchange rates of 1 percentage point. For the International Region, gross sales increased 8%, including an unfavorable impact of currency exchange rates of 2 percentage points. Operating income for the quarter was \$373.5 million. Adjusted operating income was \$511.3 million, or 22.7% of net sales, excluding the litigation charge, compared to the prior year's operating income for the quarter of \$497.5 million.

For the year, net sales were \$6.42 billion, a 2% increase from \$6.27 billion last year, including an unfavorable impact of changes in currency exchange rates of 2 percentage points. On a regional basis, full-year gross sales were up 2% in the North American Region, with no impact from changes in currency exchange rates. For the International Region, gross sales were up 4%, including an unfavorable impact of currency exchange rates of 6 percentage points. Operating income for the year was \$1.02 billion. Adjusted operating income was \$1.16 billion, or 18.0% of net sales, excluding the litigation charge, compared to the prior year's operating income of \$1.04 billion.

The Company's debt-to-total-capital ratio of 33.0% is in line with the Company's capital and investment framework, and its year-end cash balance

was \$1.34 billion.

For the year, net cash flows from operating activities were approximately \$1.28 billion, an increase of \$611 million compared with approximately \$665 million in 2011. The increase is primarily driven by reductions in working capital. Cash flows used for investing activities were approximately \$900 million, an increase of \$725 million, compared to approximately \$175 million in 2011, driven primarily by the acquisition of HIT Entertainment™. Cash flows used for financing and other activities were approximately \$409 million, an increase of \$7 million, compared with approximately \$402 million in 2011, primarily due to lower net proceeds from the issuance of long-term debt and higher dividends, partially offset by lower share repurchases and lower repayments of long-term debt.

Capital Deployment

The Company announced today that its Board of Directors declared a first quarter cash dividend of \$0.36 per share on the Company's common stock, which represents an increase of 16% versus last year's dividend of \$0.31 per share. The dividend will be payable on March 8, 2013 to stockholders of record on February 22, 2013. For the fourth quarter 2012, the Company repurchased 1.4 million shares of its common stock at a cost of approximately \$51 million, and for the year, the Company repurchased 2.3 million shares of its common stock at a cost of approximately \$78 million.

Litigation Charge

On January 24, 2013, the U.S. Ninth Circuit Court of Appeals issued a decision on the litigation related to Carter Bryant and MGA Entertainment, Inc. The Ninth Circuit agreed with Mattel that the verdict and damages on MGA's toy fair claims must be reversed, and directed the District Court to dismiss the claims without prejudice. The Ninth Circuit's decision vacates the District Court's judgment awarding MGA approximately \$172 million, consisting primarily of compensatory and punitive damages, for the claims MGA made arising out of conduct at toy fairs. Consistent with the District Court's affirmation of the award of fees and costs against Mattel arising out of the separate copyright claims, Mattel has taken a charge of \$137.8 million (\$87.1 million net of taxes) with respect to the fourth quarter of 2012 to cover these fees and costs.

Mattel Girls & Boys Brands

Fourth quarter worldwide gross sales for the Mattel Girls & Boys Brands business unit were \$1.41 billion, up 5% versus a year ago. Worldwide gross sales for the Barbie brand were down 4% and worldwide gross sales for Other Girls Brands were up 55%, primarily driven by Monster High®. Worldwide gross sales for the Wheels business, which includes the Hot Wheels, Matchbox® and Tyco R/C® brands, were down 1%, primarily driven by Matchbox. Worldwide gross sales for the Entertainment business, which includes Radica® and Games, were down 13% for the quarter, primarily driven by decreases in the CARS 2® movie property.

For the year, worldwide gross sales for the Mattel Girls & Boys Brands business unit were \$4.19 billion, or up 2%. Worldwide gross sales for the Barbie brand were down 3%. Worldwide gross sales for Other Girls Brands were up 57% for the year, primarily driven by Monster High. Worldwide gross sales for the Wheels business, which includes the Hot Wheels, Matchbox and Tyco R/C brands, were flat, with growth in Hot Wheels offset by decreases in Matchbox. Worldwide gross sales for the Entertainment business, including Radica and Games, were down 21%, primarily driven by decreases in the CARS 2 movie property.

Fisher-Price Brands

Fourth quarter worldwide gross sales for the Fisher-Price Brands business unit, which includes the Fisher-Price Core, Fisher-Price Friends and Power Wheels brands, were \$744.5 million, up 6%. For the year, worldwide gross sales for the Fisher-Price Brands business unit were \$2.25 billion, up 4%, driven by strength in Fisher-Price Friends with the addition of the HIT Entertainment portfolio and Disney's Jake and the Never Land Pirates™ property.

American Girl Brands

Fourth quarter gross sales for the American Girl Brands business unit, which offers American Girl branded products direct to consumers, were \$320.8 million, up 13%. For the year, gross sales for the American Girl Brands business unit were \$567.5 million, up 11%, primarily driven by strong sales of McKenna™, the 2012 Girl of the Year, and the expansion of retail locations.

Live Webcast

Mattel will webcast its 2012 fourth quarter and full-year financial results conference call at 8:30 a.m. Eastern time today. The conference call will be webcast on the "Investors & Media" section of the Company's corporate website: <http://corporate.mattel.com/>. To listen to the live call, log on to the website at least 15 minutes early to register, download and install any necessary audio software. An archive of the webcast will be available on the Company's website for 90 days and may be accessed beginning two hours after the completion of the live call. A telephonic replay of the call will be available beginning at 11:30 a.m. Eastern time the morning of the call until Friday, Feb. 8 at midnight Eastern time and may be accessed by dialing + 1 (404) 537-3406. The passcode is 84924461.

Presentation slides relating to the conference call, as well as other financial and statistical information, will be available at the time of the webcast on the "Investors & Media" section of <http://corporate.mattel.com/>, under the sub-headings "Financial Information" — "Earnings Releases." Information required by Securities and Exchange Commission Regulation G regarding non-GAAP financial measures is set forth in the Exhibits to this press release.

About Mattel

Mattel, Inc. (NASDAQ:[MAT](#)) is the worldwide leader in the design, manufacture and marketing of toys and family products. The Mattel family is comprised of such best-selling brands as Barbie®, the most popular fashion doll ever introduced, Hot Wheels®, Monster High®, American Girl®, Thomas & Friends®, Fisher-Price® brands, including, Little People®, Power Wheels®, as well as a wide array of entertainment-inspired toy lines. In

number of common
and potential
common shares

348.4 — 348.4 343.5

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT II

**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES**

	For the Year Ended December 31,						2012 As Reported vs.		2012 Adjusted vs.		
	2012			2011			2011 As Reported		2011 As Reported		
	As Reported		Impact of Litigation Charge	Adjusted		As Reported		Yr/Yr \$ Change	Yr/Yr % Change	Yr/Yr \$ Change	Yr/Yr % Change
	\$ Amt	% Net Sales	\$ Amt	\$ Amt	% Net Sales	\$ Amt	% Net Sales				
(In millions, except per share and percentage information)						(In millions, except percentage information)					
Net Sales	\$6,420.9		\$ —	\$6,420.9		\$6,266.0		\$ 154.9	2%	\$ 154.9	2%
Cost of sales	<u>3,011.7</u>	46.9%	<u>—</u>	<u>3,011.7</u>	46.9%	<u>3,120.2</u>	49.8%	<u>(108.5)</u>	-3%	<u>(108.5)</u>	-3%
Gross Profit	<u>3,409.2</u>	53.1%	<u>—</u>	<u>3,409.2</u>	53.1%	<u>3,145.8</u>	50.2%	<u>263.4</u>	8%	<u>263.4</u>	8%
Advertising and promotion expenses	717.8	11.2%	—	717.8	11.2%	699.2	11.2%	18.6	3%	18.6	3%
Other selling and administrative expenses	<u>1,670.4</u>	26.0%	<u>137.8</u>	<u>1,532.6</u>	23.9%	<u>1,405.5</u>	22.4%	<u>264.9</u>	19%	<u>127.1</u>	9%
Operating Income	1,021.0	15.9%	(137.8)	1,158.8	18.0%	1,041.1	16.6%	(20.1)	-2%	117.7	11%
Interest expense	88.8	1.4%	—	88.8	1.4%	75.3	1.2%	13.5	18%	13.5	18%
Interest (income)	(6.8)	-0.1%	—	(6.8)	-0.1%	(8.1)	-0.1%	1.3	-15%	1.3	-15%
Other non- operating (income) expense, net	<u>(6.0)</u>		<u>—</u>	<u>(6.0)</u>		<u>3.2</u>		<u>(9.2)</u>		<u>(9.2)</u>	
Income Before Income Taxes	945.0	14.7%	(137.8)	1,082.8	16.9%	970.7	15.5%	(25.7)	-3%	112.1	12%
Provision for income taxes	<u>168.5</u>		<u>(50.7)</u>	<u>219.2</u>		<u>202.2</u>		<u>(33.7)</u>	-17%	<u>17.0</u>	8%
Net Income	<u>\$ 776.5</u>	12.1%	<u>\$ (87.1)</u>	<u>\$ 863.6</u>	13.4%	<u>\$ 768.5</u>	12.3%	<u>\$ 8.0</u>	1%	<u>\$ 95.1</u>	12%
Net Income Per Common Share - Basic	<u>\$ 2.25</u>		<u>\$ (0.25)</u>	<u>\$ 2.50</u>		<u>\$ 2.20</u>					
Weighted average number of common shares	<u>341.7</u>		<u>—</u>	<u>341.7</u>		<u>344.7</u>					
Net Income Per Common Share - Diluted	<u>\$ 2.22</u>		<u>\$ (0.25)</u>	<u>\$ 2.47</u>		<u>\$ 2.18</u>					
Weighted average number of common and potential common shares	<u>346.2</u>		<u>—</u>	<u>346.2</u>		<u>348.4</u>					

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

WORLDWIDE GROSS SALES INFORMATION (Unaudited)

(In millions, except percentage information)	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011
Worldwide Gross Sales:				
Mattel Girls & Boys Brands	\$ 1,411.5	\$ 1,346.1	\$4,186.6	\$4,120.6
% Change		5%	7%	2%
Pos./((Neg.) Impact of Currency (in % pts)		-1	-2	-3
Fisher-Price Brands	744.5	700.4	2,252.3	2,159.2
% Change		6%	-10%	4%
Pos./((Neg.) Impact of Currency (in % pts)		-1	-1	-2
American Girl Brands	320.8	283.9	567.5	510.9
% Change		13%	4%	11%
Other	18.2	22.2	46.2	50.4
Gross Sales	<u>\$ 2,495.0</u>	<u>\$ 2,352.6</u>	<u>\$7,052.6</u>	<u>\$6,841.1</u>
% Change		6%	1%	3%
Pos./((Neg.) Impact of Currency (in % pts)		-1	-1	-3
Reconciliation of Non-GAAP to GAAP Financial Measure:				
Gross Sales	\$ 2,495.0	\$ 2,352.6	\$7,052.6	\$6,841.1
Sales Adjustments	(239.1)	(198.8)	(631.7)	(575.1)
Net Sales	<u>\$ 2,255.9</u>	<u>\$ 2,153.8</u>	<u>\$6,420.9</u>	<u>\$6,266.0</u>
% Change		5%	1%	2%
Pos./((Neg.) Impact of Currency (in % pts)		-1	-1	-2

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT IV

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	At December 31,	
	2012	2011
	(Unaudited)	
Assets		
Cash and equivalents	\$ 1,335.7	\$ 1,369.1
Accounts receivable, net	1,226.8	1,246.7
Inventories	465.1	487.0
Prepaid expenses and other current assets	529.2	340.9
Total current assets	<u>3,556.8</u>	<u>3,443.7</u>
Property, plant, and equipment, net	593.2	523.9
Other noncurrent assets	2,376.8	1,704.0
Total Assets	<u>\$ 6,526.8</u>	<u>\$ 5,671.6</u>
Liabilities and Stockholders' Equity		
Short-term borrowings	\$ 9.8	\$ 8.0
Current portion of long-term debt	400.0	50.0
Accounts payable and accrued liabilities	1,273.2	953.8
Income taxes payable	33.0	27.1
Total current liabilities	<u>1,716.0</u>	<u>1,038.9</u>
Long-term debt	1,100.0	1,500.0
Other noncurrent liabilities	643.8	522.1
Stockholders' equity	3,067.0	2,610.6
Total Liabilities and Stockholders' Equity	<u>\$ 6,526.8</u>	<u>\$ 5,671.6</u>

SUPPLEMENTAL BALANCE SHEET AND CASH FLOW DATA (Unaudited)

At December 31,

(In millions, except days and percentage information)

Key Balance Sheet Data:

Accounts receivable, net days of sales outstanding (DSO)
Total debt outstanding
Total debt-to-total capital ratio

	2012	2011
	49	52
\$	1,509.8	\$ 1,558.0
	33.0%	37.4%

(In millions)

Condensed Cash Flow Data:

Cash flows from operating activities
Cash flows (used for) investing activities
Cash flows (used for) financing activities and other
(Decrease) Increase in cash and equivalents

	Year Ended December 31,	
	2012 (a)	2011
\$	1,276	\$ 665
	(900)	(175)
	(409)	(402)
\$	(33)	\$ 88

(a) Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Annual Report on Form 10-K for the year ended December 31, 2012.

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT V

**COMPUTATION OF INCOME PER COMMON AND POTENTIAL COMMON SHARE (Unaudited)
RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL MEASURES**

	For the Three Months Ended December 31, 2012			For the Year Ended December 31, 2012		
	As Reported	Impact of Litigation Charge	Adjusted	As Reported	Impact of Litigation Charge	Adjusted
	(In millions, except per share amounts)			(In millions, except per share amounts)		
BASIC						
Net income	\$ 306.5	\$ (87.1)	\$ 393.6	\$ 776.5	\$ (87.1)	\$ 863.6
Less net income allocable to participating RSUs	(3.2)	0.9	(4.1)	(7.8)	0.9	(8.7)
Net income available for basic common shares	\$ 303.3	\$ (86.2)	\$ 389.5	\$ 768.7	\$ (86.2)	\$ 854.9
Weighted average common shares outstanding	343.6	-	343.6	341.7	-	341.7
Basic Net Income Per Common Share	\$ 0.88	\$ (0.25)	\$ 1.13	\$ 2.25	\$ (0.25)	\$ 2.50
DILUTED						
Net income	\$ 306.5	\$ (87.1)	\$ 393.6	\$ 776.5	\$ (87.1)	\$ 863.6
Less net income allocable to participating RSUs	(3.2)	0.9	(4.0)	(7.7)	0.9	(8.6)
Net income available for diluted common shares	\$ 303.3	\$ (86.2)	\$ 389.6	\$ 768.8	\$ (86.2)	\$ 855.0
Weighted average common shares outstanding	343.6	-	343.6	341.7	-	341.7
Weighted average common equivalent shares arising from:						
Dilutive stock options and non-participating RSUs	4.8	-	4.8	4.5	-	4.5
Weighted average number of common and potential common shares	348.4	-	348.4	346.2	-	346.2
Diluted Net Income Per Common Share	\$ 0.87	\$ (0.25)	\$ 1.12	\$ 2.22	\$ (0.25)	\$ 2.47

Mattel, Inc.

News Media

Lisa Marie Bongiovanni
310-252-3524

LisaMarie.Bongiovanni@mattel.com

or

Securities Analysts

Drew Vollero
310-252-2703

Drew.Vollero@mattel.com

Source: Mattel, Inc.

News Provided by Acquire Media