Mattel, Inc.
Earnings Conference Call
Second Quarter 2014

(Unaudited Results)

JULY 17, 2014

BRYAN STOCKTON – CHAIRMAN AND CEO

KEVIN FARR – CFO

FORWARD-LOOKING STATEMENTS: This presentation includes forward-looking statements relating to the future performance of our overall business, brands and product lines. These statements are based on currently available operating, financial, economic and other information and they are subject to a number of significant risks and uncertainties which could cause our actual results to differ materially from those projected in the forward-looking statements. We describe some of these uncertainties in the Risk Factors section of our 2013 Annual Report on Form 10-K, in our 2014 quarterly reports on Form 10-Q and in other filings we make with the SEC from time to time, as well as in other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so.

REGULATION G: Information required by Securities and Exchange Commission Regulation G, regarding non-GAAP financial measures, as well as other financial and statistical information, will be available at the time of the conference call on the "Investors" section of http://corporate.mattel.com/, under the subheading "Financial Information" – "Earnings Releases."

Note: Use of NPD, Euromonitor or other third party or internal category groupings herein does not suggest, prove or disprove actual market conditions

Q2 2014 Key Takeaways

Results reflect acquisition of MEGA Brands and ongoing actions to improve POS and optimize inventory

- Gross sales of $1.2 billion, down (-8%), including a 1 ppt unfavorable impact from currency
  - North American Region* gross sales down (-8%), including a 1 ppt unfavorable impact from currency
  - International Region** gross sales down (-9%), including a 2 ppt unfavorable impact from currency
- Gross margin of 46.4%, down 490 basis points from prior year
  - About half of decline attributable to MEGA Brands, including acquisition-related inventory fair value adjustments
  - Remainder attributable to reduced leverage of manufacturing fixed costs, retail and Mattel-owned inventory clean up and negative mix
- Continued to shift advertising and trade spend programs to second half to better align with consumer behavior
- Tightly managed SG&A, essentially flat, <u>including</u> costs related to the MEGA Brands acquisition
  - Includes $16 million of acquisition and integration costs, amortization of intangibles, and an incremental $5 million of severance related to OE 3.0
- Operating income of $1 million and earnings per share of $0.08 (includes tax benefit of $0.11 per share and a negative impact of $0.06 per share of MEGA Brands acquisition and integration costs***)

Made progress on YTD POS and owned inventory

- Improving global POS trends; global POS about flat with international positive and domestic improving to down mid-single digits
- Excluding MEGA Brands, U.S. retail inventory down mid-single digits, with some pockets of high retail inventory remaining in certain international markets
- We made significant progress in reducing the year-over-year seasonal growth in Mattel-owned inventories, which were down by $100 million for the first half of 2014 relative to year-end

Industry growing; added building blocks for the future

- Toy industry remains strong (+4%) with U.S. toy market up and Euro 5 up per NPD Group through May
- Acquisition of MEGA Brands expands reach into fast-growing construction and arts & crafts NPD categories
- Made strategic organizational changes to structure business for future growth

Continued to deploy capital effectively and maintain a strong balance sheet

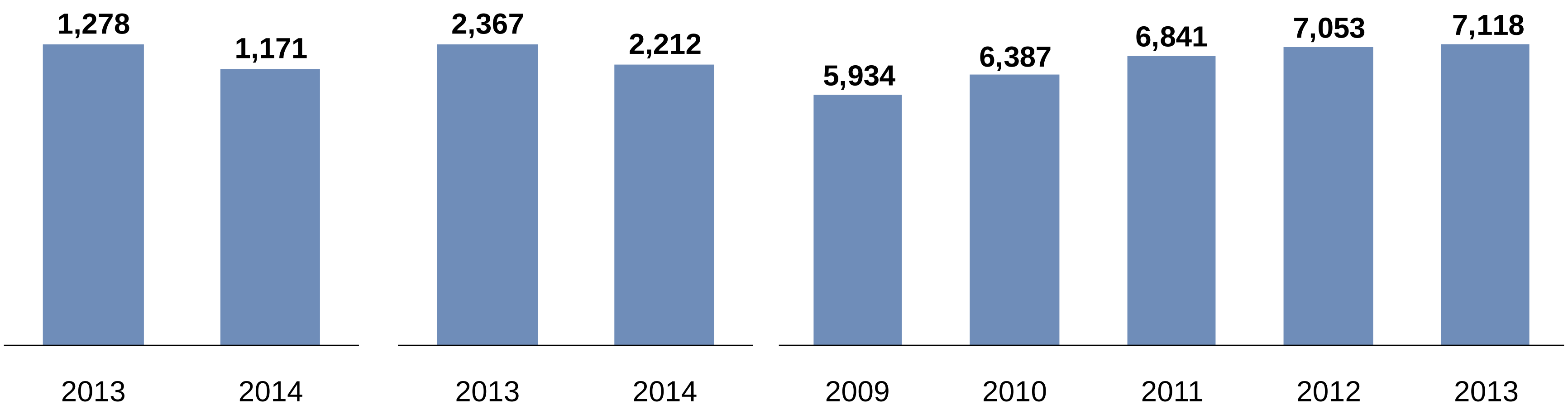
- Acquired MEGA Brands for $423 million, net of cash acquired, on April 30, 2014
- Paid Q2 dividend of $0.38/share on June 13, 2014, up 6% vs. prior year
- Repurchased 2.6 million shares for $100 million in Q2
- Declared Q3 2014 dividend of $0.38/share, up 6% vs. prior year

* Includes North America Division and American Girl (AG) (see Appendix)
** Includes International Division (see Appendix)
*** Consists of acquisition and integration costs, including amortization of acquired intangible assets and inventory fair value markup above cost

Worldwide Gross Sales

Second Quarter 2014
($ In Millions – Unaudited)

Quarter **-8%** | **Year-to-Date** **-7%** | **Historical Trend Full Year**



	2013	2014	2013	2014	2009	2010	2011	2012	2013
Currency Impact (ppt)	0 ppt	(1)ppt	0 ppt	(1)ppt	(2)ppt	(2)ppt	+1 ppt	(3)ppt	0 ppt

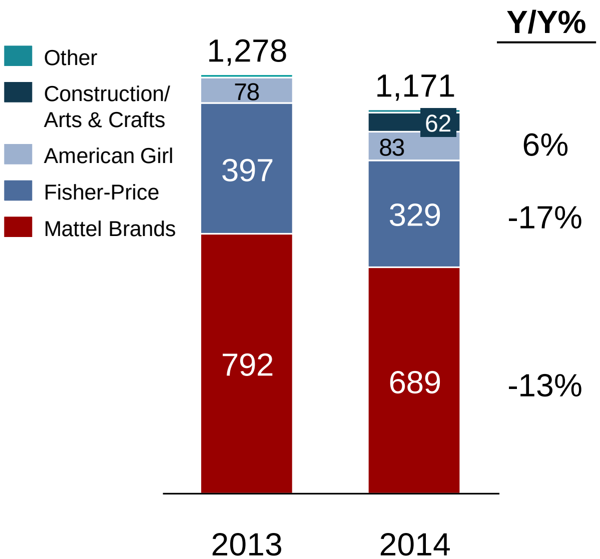
- WW gross sales down (-8%) in the quarter and down (-7%) for the first half
  - Decline in North American Region* in the quarter (-8%), including a 1 ppt unfavorable impact from currency
  - Decline in International Region** in the quarter (-9%), including a 2 ppt unfavorable impact from currency
- Growth impacted by retail inventory clean-up efforts and shift in advertising and trade spend programs to second half
- Made good progress on inventory in the quarter
  - U.S. retail inventory down year-over-year, excluding MEGA Brands; some pockets of high retail inventory in certain international markets remaining
  - Made significant progress in reducing the year-over-year seasonal growth in Mattel-owned inventories, which were down by $100 million for the first half of 2014 relative to year-end

* Includes North America Division and American Girl (see Appendix)
** Includes International Division (see Appendix)

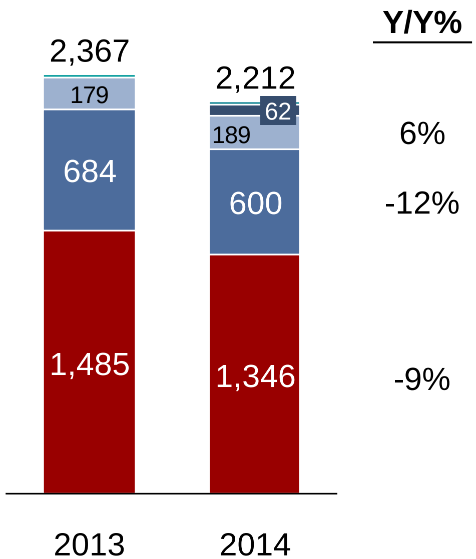
Worldwide Gross Sales by Brand

Second Quarter 2014
($ In Millions – Unaudited)

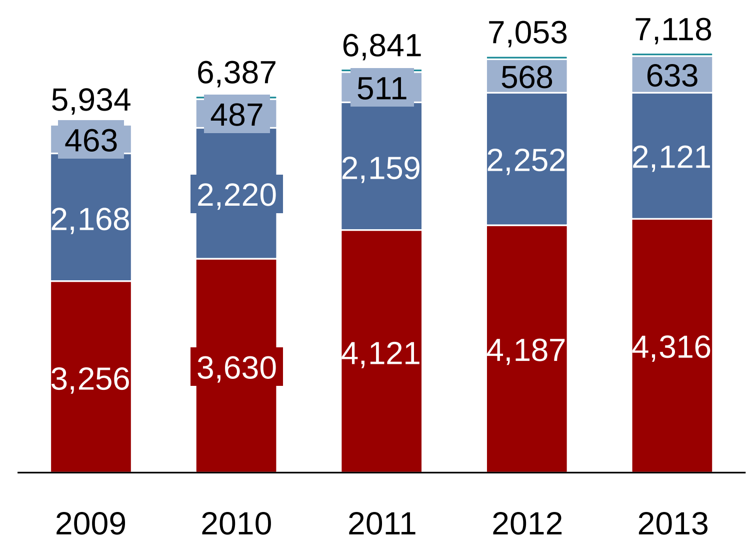
Quarter
-8%



Year-to-Date
-7%



Historical Trend Full Year



	Q 2013	Q 2014	YTD 2013	YTD 2014	2009	2010	2011	2012	2013
Currency Impact (ppt)	0 ppt	(1)ppt	0 ppt	(1)ppt	(2)ppt	(2)ppt	+1 ppt	(3)ppt	0 ppt

Mattel Brands
- Declines in Monster High and Barbie as well as challenging entertainment comps, partially offset by strength in Disney Princess and the launches of BOOMco and Ever After High

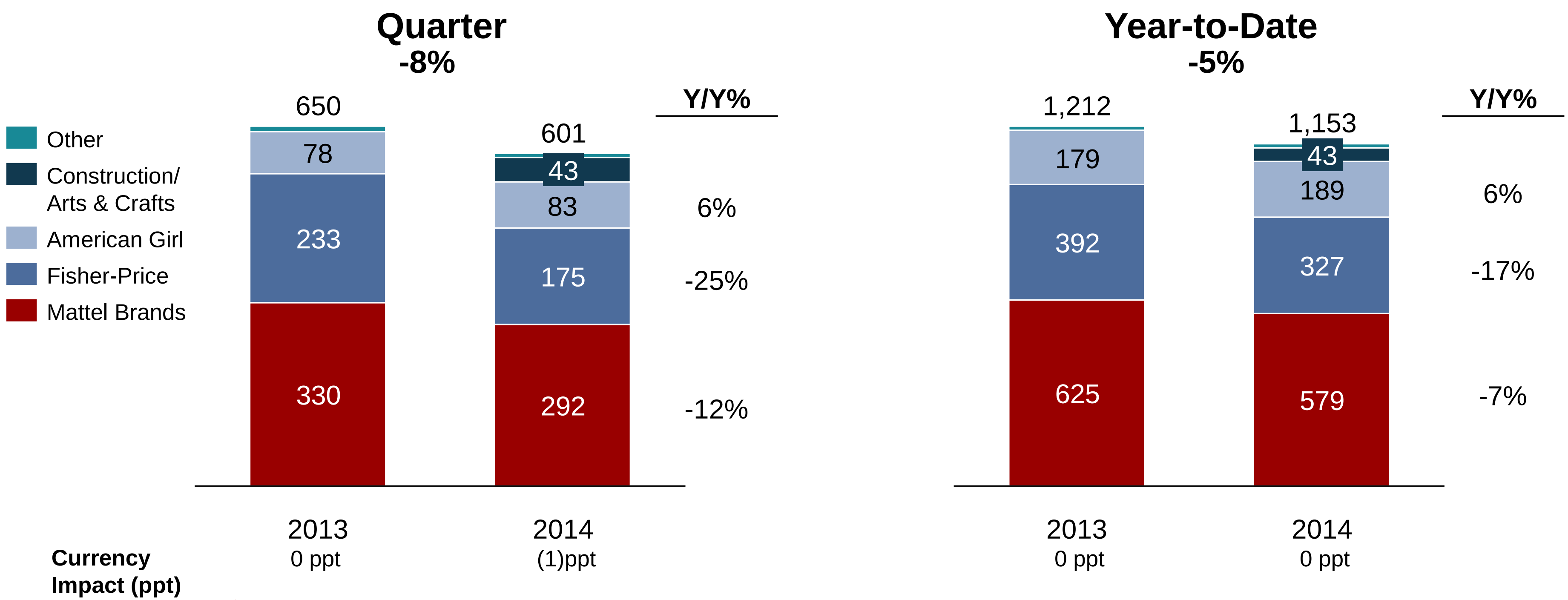
Fisher-Price
- Declines in Fisher-Price core brands, primarily Little People and Imaginext, and tough comps related to some Fisher-Price Friends licensed entertainment properties

American Girl
- Strong sales in the new Girl of the Year, “Isabelle,” and solid consumer direct and retail performance, including new store openings

Construction/Arts & Crafts
- MEGA Brands early results consistent with expectations

North American Region Gross Sales by Brand

Second Quarter 2014
($ In Millions – Unaudited)



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Construction/Arts & Crafts
- MEGA Brands early results consistent with expectations

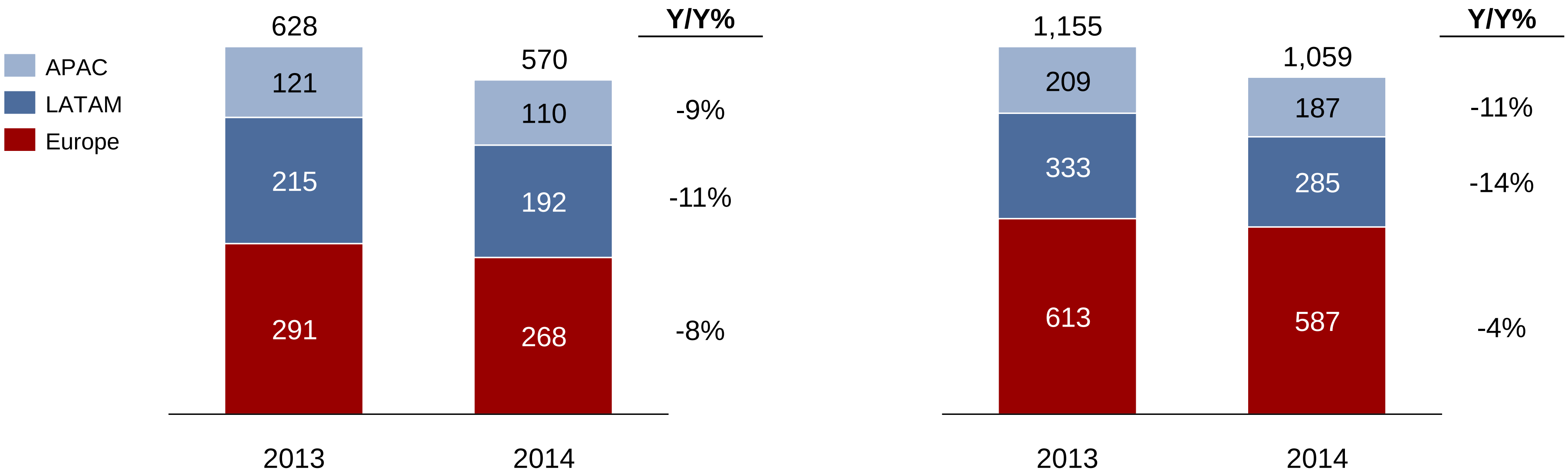
Note: North American Region includes North America Division and American Girl (see Appendix)

International Gross Sales by Region

Second Quarter 2014
($ In Millions – Unaudited)

Quarter
-9%

Year-to-Date
-8%



	Quarter 2013	Quarter 2014	YTD 2013	YTD 2014
Currency Impact (ppt)	0 ppt	(2)ppt	(1)ppt	(1)ppt

Europe
- Revenues down (-8%), including a 1 ppt favorable impact from currency; soft performance of key brands and progress on reducing high retail inventories, partially offset by strength in Russia subsidiary

LATAM
- Revenues down (-11%), including a 6 ppt unfavorable impact from currency; soft performance of key brands and progress on reducing high retail inventories

APAC
- Revenues down (-9%), including a 1 ppt unfavorable impact from currency; softness in Australia and India, partially offset by continued strength in China

Note: International Region includes International Division (see Appendix)

Gross Margin

Second Quarter 2014
(As a Percentage of Net Sales – Unaudited)

	Quarter	Year-to-Date
Prior Year:	**51.3%**	**52.7%**
Change Primarily Driven By:		
Pricing	↑	↑
O.E. 3.0	↑	↑
MEGA Brands	↓	↓
Input Costs	↓	↓
Product Mix	↓	↓
Currency	↓	↓
Other Product-Related	↓	↓
Current Year:	**46.4%**	**48.5%**
Change:	**(490) bps**	**(420) bps**

↑ *Improvement in GM*
↓ *Detriment to GM*
↔ *Neutral to GM*

Q2 2014 Drivers

- About half of the 490 bps decline was due to MEGA Brands, including 80 bps due to the related inventory fair value adjustments
- Of the remainder:
  - About 50% due to reduced leverage of fixed manufacturing costs
  - About 25% due to inventory clean up
  - About 25% due to changes in mix primarily due to Girls portfolio

2014 Factors

- Solid progress on retail inventory with some pockets remaining in certain international markets
- MEGA Brands inventory fair value adjustments expected to wind down in Q3
- Ongoing MEGA Brands headwind expected to be roughly 100 bps
- Negative mix challenges could persist given headwinds in Monster High

Near-Term Objective

- Goal is to maintain margins in the low to mid-50% range

SG&A

Second Quarter 2014
($ In Millions and as a Percentage of Net Sales – Unaudited)

	Quarter		Year-to-Date	
	In Millions	**% of Sales**	**In Millions**	**% of Sales**
Prior Year:	**$392**	**33.5%**	**$762**	**35.2%**
Change Primarily Driven By:				
Intangible Impairment	↓		↓	
O.E. 3.0	↓		↓	
Incentive & Equity Comp	↓		↓	
Employee-Related Costs	↓		↓	
Strategic Growth Investments	↓		↓	
MEGA Brands	↑		↑	
Other (including severance)	↑		↑	
Current Year:	**$392**	**36.9%**	**$776**	**38.6%**
Change:	**$0**	**+340bps**	**$15**	**+340bps**

↓ *Improvement in SG&A*
↑ *Detriment to SG&A*
↔ *Neutral to SG&A*

* Consists of acquisition and integration costs, including amortization of acquired intangible assets

Q2 2014 Drivers

- SG&A spending was flat including MEGA Brands
- Includes $16 million of acquisition and integration costs*, partially offset by absence of prior year impairment charge of $14 million
- Includes incremental severance expense of $5 million related to ongoing OE 3.0 initiatives

2014 Objective

- 2014 goal (excluding MEGA Brands) remains to achieve modest increase in Mattel SG&A, including severance and ongoing growth investments

Operational Excellence 3.0

Second Quarter 2014
($ In Millions – Unaudited)

	Global Cost Leadership		Operational Excellence 2.0		Operational Excellence 3.0					
						2014				
	2009-2010 Total	% of Gross	2011-2012 Total	% of Gross	2013 Actual	Q1 Act	Q2 Act	YTD Act	FY Target	2013-2014 Total Target
Savings										
Gross Margin	$89	40%	$42	23%	$51	$12	$14	$26		
SG&A*	$108	48%	$122	65%	$8	$3	$11	$14		
Advertising	$28	12%	$23	12%	$1	$1	$0	$1		
Gross Savings	**$225**	**100%**	**$187**	**100%**	**$60**	**$16**	**$25**	**$41**	**$115**	**$175**
Severance/Investment	(13)		(39)		(21)	(24)	(12)	(36)	*Run rate*	
Net Savings	**$212**		**$148**		**$39**	**($8)**	**$13**	**$5**		

- Global Cost Leadership, OE 2.0 and year 1 of OE 3.0 programs exceeded expectations and delivered over $450 million in gross savings
- Strong progress in the first half with $42 million of Gross Savings
- OE 3.0 initiatives to focus on:
  - Packaging Optimization
  - Manufacturing Efficiencies: Automation and LEAN
  - Enterprise Quality: Design for Manufacturing
  - Operational Efficiencies: NAD Initiative, Enhanced International Clustering, and global reduction in force
  - Indirect Procurement
- Severance expense was driven by actions related to driving operational efficiencies

* Includes $81 million of Legal Savings in OE 2.0

Operating Income

Second Quarter 2014
($ In Millions and as Percentage of Net Sales – Unaudited)

	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
Prior Year:	**$95**	**8.1%**	**$161**	**7.4%**
Change Primarily Driven By:				
Sales Volume		↓		↓
Gross Margin		↓		↓
SG&A		↓		↓
Prior Year Asset Impairment		↑		↑
Advertising & Promotion		↑		↑
Current Year:	**$1**	**0.1%**	**$7**	**0.4%**
Change:	**($94)**	**(800)bps**	**$153**	**(700)bps**

Q2 Operating Income $1 Million

Q2 2014 Drivers

- Decrease driven by lower sales, lower gross margin and reduced leverage of SG&A due to lower sales volume
- Partially offset by absence of prior year asset impairment charge and lower advertising
- SG&A spending was flat in absolute dollars

↑ *Improvement in Op Inc %*
↓ *Detriment to Op Inc %*
↔ *Neutral to Op Inc %*

EPS

Second Quarter 2014
($ Per Share – Unaudited)

	Quarter	Year-to-Date
Prior Year:	**$0.21**	**$0.32**
Change Primarily Driven By:		
Operating Income	↓	↓
Non-Operating Income / Expense	↑	↑
Taxes	↑	↑
Share Count	↑	↑
Current Year:	**$0.08**	**$0.05**
Change:	**($0.13)**	**($0.27)**
	(62%)	**(84%)**

Q2 EPS down $0.13

Q2 2014 Drivers

- Includes a negative impact of $0.06 per share of MEGA Brands acquisition and integration costs*
- Decrease driven by lower operating income, partially offset by lower non-operating expenses, lower tax expense and share count

Q2 discrete tax benefit of $0.11

↑ *Improvement in EPS*
↓ *Detriment to EPS*
↔ *Neutral to EPS*

* Consists of acquisition and integration costs, including amortization of acquired intangible assets and inventory fair value markup above cost

MEGA Brands

2014 Acquisition and Other Related Costs
($ In Millions - Unaudited)

	Line Item	Q2 Actual	Jul – Dec 2014 Estimate	Full-Year 2014 Estimate
Inventory Fair Value Adjustment	Gross Margin	$8	$7	$15
Acquisition and Integration Costs	SG&A	$11	$34-$44	$45-$55
Amortization of Intangibles	SG&A	$5	$20	$25
Total		**$24**	**$61-$71**	**$85-$95**

- Acquisition and integration costs primarily include deal costs and consulting fees
- Inventory fair value adjustment, required by purchase accounting for opening balance sheet, related to existing MEGA Brands-owned inventory; should wind down in Q3
- Intangibles expected to be amortized over an average of 6-7 years
    - Amortization expected to decrease to $17 million in 2015 and $9 million in 2016

Cash Flow*

First Half 2014
($ In Millions – Unaudited)

	2013	2014
Net Income	$112	$17
Depreciation	$87	$98
Amortization	$8	$12
Change in Working Capital & Other	($493)	($206)
Net Cash (Used for) / From Operations	**($286)**	**($79)**
Capital Spending	($115)	($108)
Acquisitions	-	($423)
Other Investing	($17)	$6
Net Cash (Used for) Investing	**($132)**	**($525)**
Payments of Long-Term Borrowing	($350)	($45)
Net Proceeds from Long-Term Borrowing	$495	$495
Share Repurchases*	($151)	($128)
Dividends	($249)	($258)
Financing Activities and Other	$160	$19
Net Cash (Used for)/ From Financing Activities & Other	**($95)**	**$83**
Change in Cash	***($513)***	***($521)***
Cash at Beginning of Period	***$1,336***	***$1,039***
Cash at End of Period	**$823**	**$518**

Cash Flow from Ops
Primarily driven by changes in working capital

Cash Flow from Investing Activities
MEGA Brands acquisition; $423MM, net of cash acquired

Financing Activities
Issued $500 million aggregate principal amount of Senior Notes

Dividend/ Share Repurchase
- Paid quarterly dividend of $0.38 (+6%)
- Repurchased 2.6 million shares in Q2 for $100 million

Note: Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.

* Cash paid for share repurchases in 2013 included $24 million of payments related to shares acquired in 2012

APPENDIX

Reporting Guide

Name	Description
North American Region	Includes North America Division and American Girl
International Region	Includes International Division
North America Division	Consists of the U.S. and Canada, excludes American Girl
International Division	Excludes U.S. and Canada
American Girl Brands	Includes American Girl, excludes Corolle
Core Europe	Includes France, Belgium, Netherlands, Spain, Portugal, Italy, Germany, Austria, Switzerland, Nordics/Scandinavia, U.K.

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