

Mattel, Inc.

Earnings Conference Call

First Quarter 2013

(Unaudited Results)



APRIL 17, 2013
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 2012 Annual Report on Form 10-K, in our 2013 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 & Media” section of <http://corporate.mattel.com/>, under the subheading “Financial Information” – “Earnings Releases.”

Q1 2013 Key Takeaways



Delivered solid financial results

- **Gross sales of \$1.1 billion, up 7%**, including a 1 ppt unfavorable impact from currency
 - North American Region* gross sales up 5%
 - International Region** gross sales up 9% including a 2 ppt unfavorable impact from currency
- **Strong gross margin of 54.2% for the quarter**, up 320 bps over prior year
- **Operating income of \$66 million for the quarter**, up \$37 million or 129%
- **EPS of \$0.11**, up \$0.09 or 450%



Global growth continues

- Excluding the impact of currency, all of our regions grew



Continued to deploy capital effectively

- Paid Q1 dividend of \$0.36/share on March 8, 2013, \$1.44 annualized dividend up over 16% vs. prior year
- Repurchased 240,000 shares for \$9 million in Q1
- Declared Q2 2013 dividend of \$0.36/share

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

** Includes International Division (see Appendix)

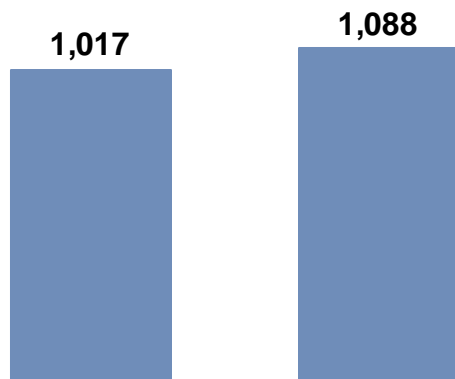


Worldwide Gross Sales



First Quarter 2013 (\$ In Millions – Unaudited)

Quarter
7%



2012

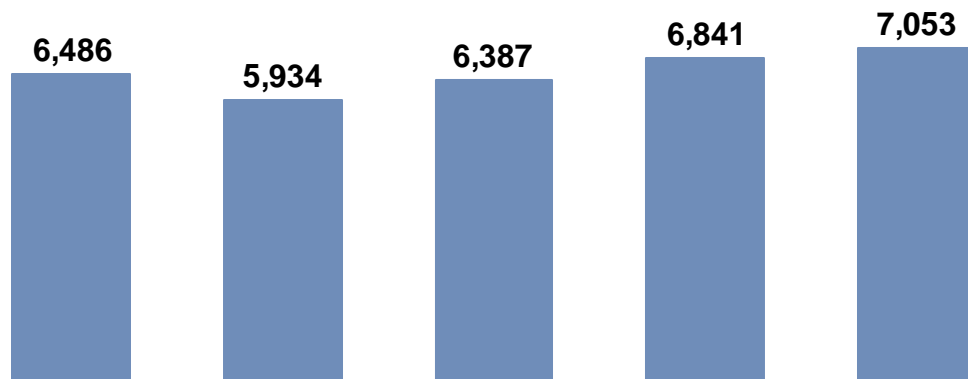
2013

(1)ppt

(1)ppt

Currency
Impact (ppt)

Historical Trend Full Year



2008

2009

2010

2011

2012

0ppt

(2)ppt

(2)ppt

+1ppt

(3)ppt

- WW gross sales up (+7%) in the quarter, including a 1 ppt unfavorable impact from currency
- Growth in North American Region* in the quarter (+5%), driven by our Girls portfolio and Fisher-Price Friends
- Growth in International Region** in the quarter (+9%) including a 2 ppt unfavorable impact from currency; driven by our Girls portfolio and Fisher-Price Friends
- Inventory at U.S. retail and Mattel generally favorable in aggregate and across most brands
 - U.S. retail inventory down mid-single digits
 - Mattel inventory down \$4 million, or 1%

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

** Includes International Division (see Appendix)

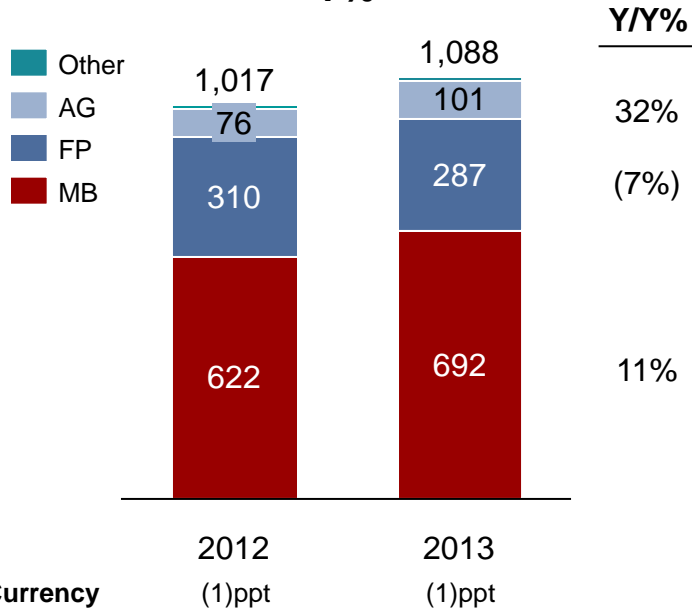


Worldwide Gross Sales by Brand

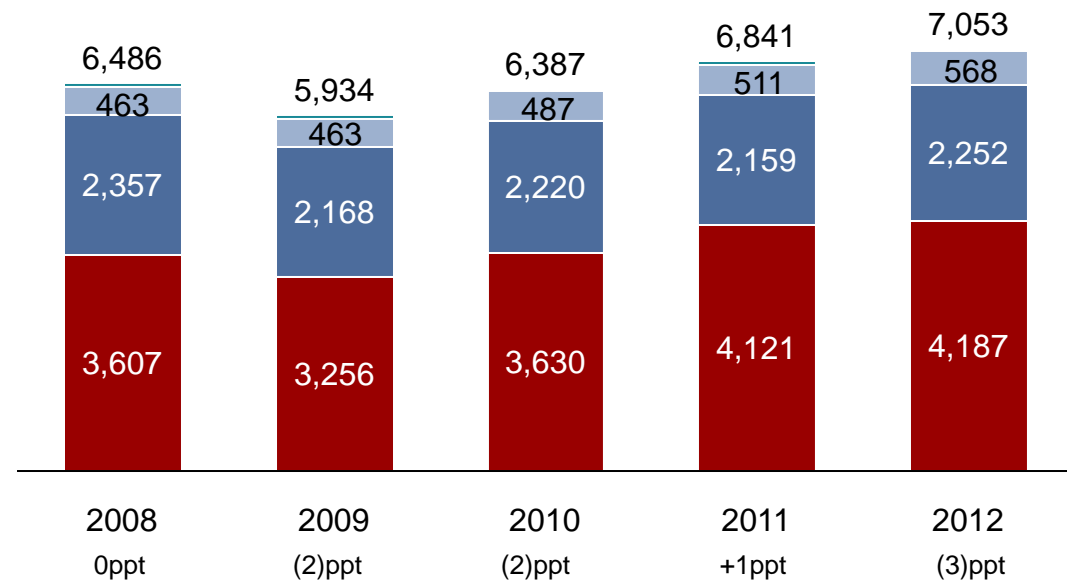


First Quarter 2013
(\$ In Millions – Unaudited)

Quarter 7%



Historical Trend Full Year



Mattel Brands

- Strength in Monster High, Batman, WWE and Max Steel, partially offset by Hot Wheels and Barbie

Fisher-Price

- Strength in Friends portfolio, driven by Thomas & Friends, and Jake and the Never Land Pirates, as well as Fisher-Price Core Little People and Imaginext, offset by performance of other Fisher-Price Core brands

American Girl

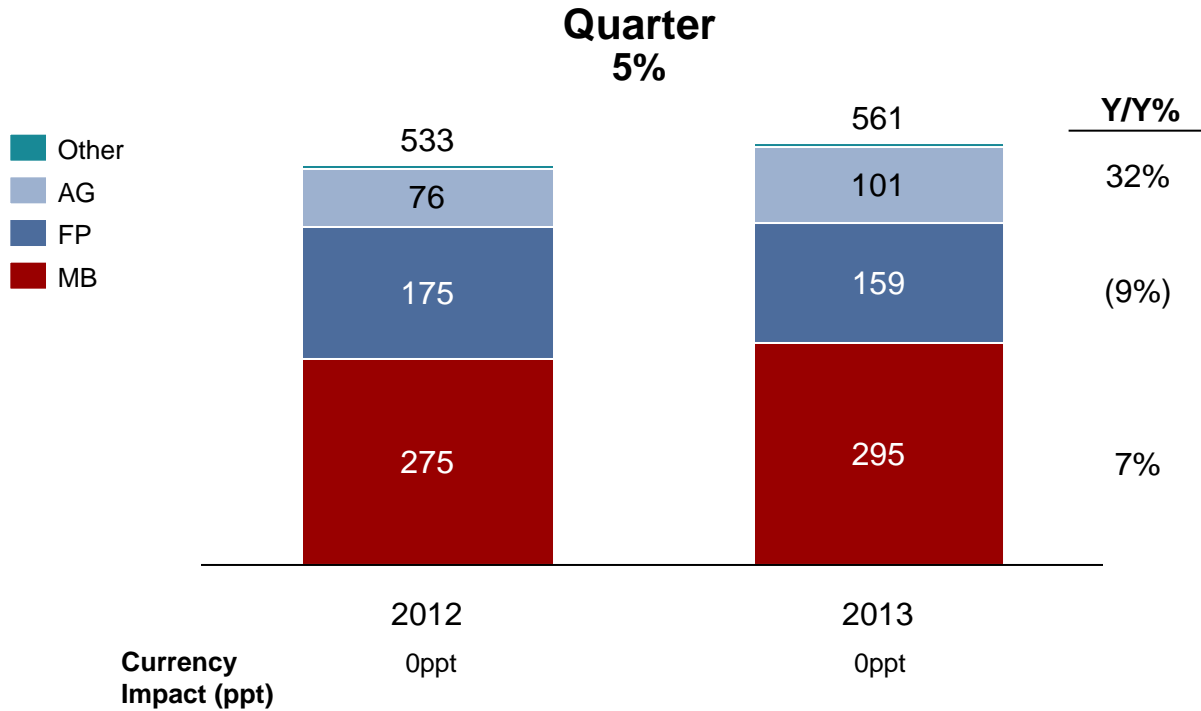
- Strong sales in all core doll segments, led by Saige, 2013 Girl of the Year, and strong performance at retail, including the three new stores opened in 2012



North American Region Gross Sales by Brand



First Quarter 2013
(\$ In Millions – Unaudited)



Mattel Brands

- Strength in Monster High, Batman and WWE, partially offset by Barbie and Hot Wheels

Fisher-Price

- Strength in Friends portfolio, driven by Thomas & Friends, and Jake and the Never Land Pirates, as well as Fisher-Price Core Little People and Imaginext, offset by performance of other Fisher-Price Core brands

American Girl

- Strong sales in all core doll segments, led by Saige, 2013 Girl of the Year, and strong performance at retail, including the three new stores opened in 2012

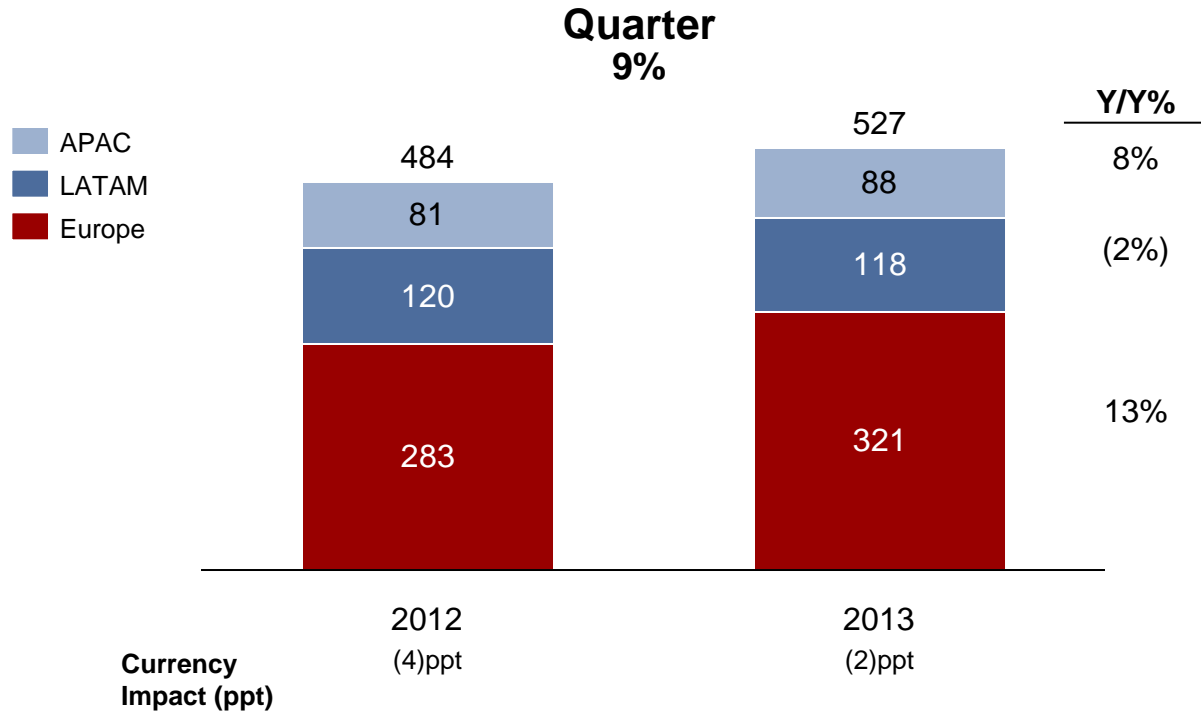


Note: North American region includes North America Division and American Girl (see Appendix)

International Gross Sales by Region



First Quarter 2013
(\$ In Millions – Unaudited)



- Revenues up 13%, with 1 ppt unfavorable impact from currency, driven by double-digit growth in Core Europe and strong sales from new Russia subsidiary



- Revenues down 2%, with 4 ppt unfavorable impact from currency, driven by Brazil, partially offset by strength in Mexico and elsewhere in the region



- Revenues up 8%, with 4 ppt unfavorable impact from currency, driven by strong growth in China and India








Note: International Region includes International Division (see Appendix)




Gross Margin



First Quarter 2013

(As a Percentage of Net Sales – Unaudited)

	<u>Quarter</u>
Prior Year:	51.0%
Change Primarily Driven By:	
Pricing	
Product Mix	
O.E. 3.0	
Currency	
Input Costs	
Other Product-Related	
Current Year:	54.2%
Change:	+320bps

-  Improvement in GM
-  Detriment to GM
-  Neutral to GM

Q1 2013 Drivers

- Low single-digit pricing actions implemented January 1
- Favorable mix due to strong Girls portfolio
- Good progress on O.E. 3.0 savings
- Partially offset by currency and increased input costs

2013 Outlook

- Near-term objective – maintain margins within the low-to-mid 50% range
 - Strong Q1 product mix benefit should lessen as the year progresses, driven by increased royalty payments for entertainment properties and planned growth of Fisher-Price





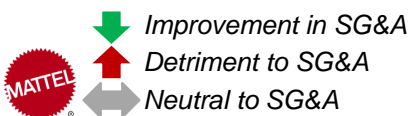
First Quarter 2013

(\$ In Millions and as a Percentage of Net Sales – Unaudited)

	Quarter	
	In Millions	% of Sales
Prior Year:	\$346.8	37.4%
Change Primarily Driven By:		
Acquisition / Integration Costs	↓	
Employee-Related Costs	↑	
Strategic Growth Investments	↑	
Incentive & Equity Comp	↑	
Currency	↓	
Other	↑	
Current Year:	\$369.7	37.1%
Change:	\$22.9	-30bps

Key Drivers

- Increased employee-related costs, including merit increases and higher benefit expenses
- Incremental spending on strategic growth investments
- Annualization impact of HIT organization expense, ongoing costs for new American Girl stores and Russia subsidiary office
- Offset by decline in HIT acquisition / integration costs



Operational Excellence 3.0



First Quarter 2013
(\$ In Millions – Unaudited)

	Global Cost Leadership		Operational Excellence 2.0		Operational Excellence 3.0		
	2009-2010 Total	% of Gross	2011-2012 Total	% of Gross	2013	2013-2014	
					Q1 Act	FY Target	Total Target
Structural Savings / Legal Savings							
• Gross Margin	\$89	40%	\$42	23%	\$3		
• SG&A*	\$108	48%	\$122	65%	\$2		
• Advertising	\$28	12%	\$23	12%	\$0		
Gross Savings	\$225	100%	\$187	100%	\$5	\$50	\$150
• Severance/Investment	(\$13)		(\$39)		(\$5)		<i>Run rate</i>
Net Savings	\$212		\$148		\$0		

- Global Cost Leadership and O.E. 2.0 exceeded expectations and delivered over \$400 million in gross savings
- O.E. 3.0 initiatives to focus on:
 - Packaging Optimization
 - Manufacturing Efficiencies: Automation and LEAN
 - Enterprise Quality: Design for Manufacturing
 - Operational Efficiencies: NAD Initiative and Enhanced International Clustering
 - Indirect Procurement



* Includes \$81 million of Legal Savings in O.E. 2.0

Operating Income



First Quarter 2013

(\$ In Millions and as Percentage of Net Sales – Unaudited)

	Quarter	
	In Millions	% of Sales
Prior Year:	\$28.7	3.1%
Change:	\$37.1	350 bps
Current Year:	\$65.8	6.6%

**Q1
Operating
Income Up
129%**

Increase driven by strong gross margins and higher sales volume, partially offset by currency impact

Change Primarily Driven By:

Sales Volume

Gross Margin

Advertising & Promotion

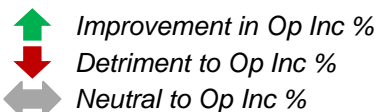
SG&A

Currency



Current Year:

Change:



EPS



First Quarter 2013
(\$ Per Share – Unaudited)

Prior Year:

Quarter

\$0.02

Change Primarily Driven By:

Operating Income

Non-Operating Income / Expense

Share Count



Current Year:

\$0.11

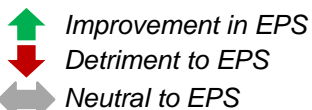
Change:

\$0.09

450%

**Q1 EPS up
\$0.09 or
450%**

Increase driven by improved operating income, partially offset by non-operating expenses





2013 Acquisition and Other Related Costs

(\$ in Millions – Unaudited)

	Q1		Full Year	
	2012 (actual)	2013 (actual)	2012 (actual)	2013 (estimate)
Acquisition and Integration Expenses	\$16	\$2	\$24	\$10
Amortization of Intangibles	\$1	\$1	\$5	\$5
Total	\$17	\$3	\$29	\$15

- Acquisition and integration costs include facility closing costs, consulting costs, severance and IT costs
- Intangibles expected to be amortized over an average of 4-5 years

Cash Flow*



First Quarter 2013

(\$ In Millions – Unaudited)

	2012	2013
Net Income	\$8	\$39
Depreciation	\$37	\$42
Amortization	\$4	\$4
Change in Working Capital & Other	\$122	(\$147)
Net Cash From / (Used for) Operations	\$171	(\$62)
Capital Spending	(\$38)	(\$53)
Acquisitions	(\$685)	-
Other Investing	\$21	(\$13)
Net Cash (Used for) Investing	(\$702)	(\$66)
Payments of Long-Term Borrowing	-	(\$350)
Net Proceeds from Long-Term Borrowing	-	\$495
Share Repurchases	(\$32)	(\$32)
Dividends	(\$105)	(\$124)
Financing Activities and Other	\$84	\$63
Net Cash From / (Used for) Financing Activities & Other	(\$53)	\$52
Change in Cash	(\$584)	(\$76)
Cash at Beginning of Period	\$1,369	\$1,336
Cash at End of Period	\$785	\$1,260

Cash Flow from Ops

Decline primarily driven by higher working capital usage, partially offset by higher net income

Issued \$500 million of Senior Notes and repaid \$350 million of Senior Notes at scheduled maturity

Financing Activities

Dividend

Quarterly dividend of \$0.36 (+16%)



* Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.



Where We'll Grow

- Core Brands
- Entertainment Properties
- New Franchises
- International

How We'll Grow

- Align behind Strategic Growth Plan
- Structure for growth
- Nurture talent
- Accelerate an already innovative culture

Strategic Priorities

- Deliver consistent growth
- Build on operating margins
- Generate and deploy cash



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

Includes American Girl, excludes Corolle

Core Europe

Includes France, Belgium, Netherlands, Spain, Portugal, Italy, Germany, Austria, Switzerland, Nordics/Scandinavia, UK



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the future
of play™