

Mattel, Inc.

Earnings Conference Call

Third Quarter 2013

(Unaudited Results)



OCTOBER 16, 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” section of <http://corporate.mattel.com/>, under the subheading “Financial Information” – “Earnings Releases.”

Q3 2013 Key Takeaways



- ✓ **Delivered another quarter of sales growth and strong gross margins, with modest SG&A leverage**
 - **Gross sales of \$2.4 billion**, up (+6%)
 - North American Region* gross sales up (+3%); International Region** gross sales up (+9%)
 - **Gross margin of 53.8%**, up 10bps
 - **Operating income of \$528 million**, up (+8%)
 - **EPS of \$1.21**, up \$0.17 or (+16%)

- ✓ **Underlying results for the first nine months consistent with long-term financial goals**
 - **Gross sales of \$4.8 billion**, up (+5%)
 - North American Region* gross sales up (+2%); International Region** gross sales up (+7%)
 - **Gross margin of 53.3%** up 90 bps
 - **Operating income of \$689 million**, up (+6%)
 - **EPS of \$1.52**, up \$0.17 (+13%)

- ✓ **Global growth continues**
 - Girls portfolio (Barbie, Other Girls, American Girl) up (+15%) in Q3, up (+14%) for first nine months
 - Growth in all regions for the quarter and the first nine months, including underlying growth in emerging and developing markets

- ✓ **Continued to deploy capital effectively**
 - Paid Q3 dividend of \$0.36/share on September 20, 2013, \$1.44 annualized dividend up (+16%) vs. prior year
 - Repurchased 6.1 million shares for \$259 million in Q3; \$463 million remaining under current program
 - Declared Q4 2013 dividend of \$0.36/share

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

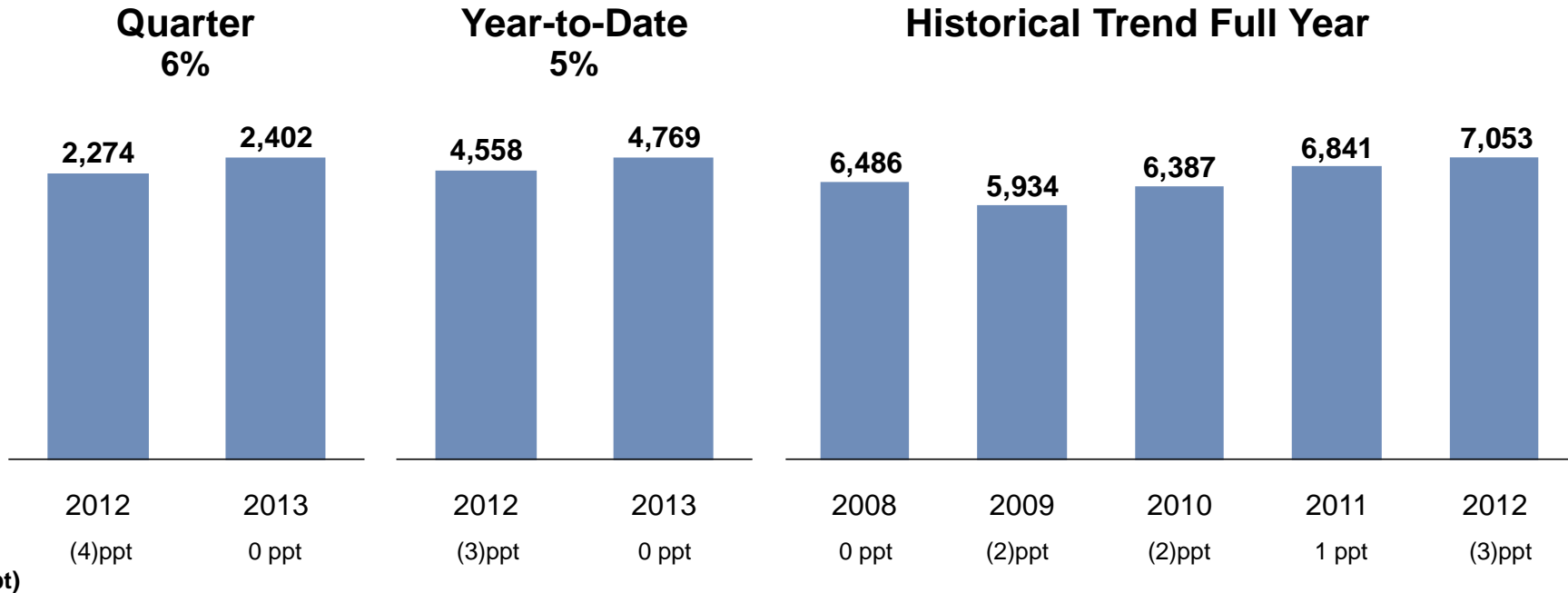
** Includes International Division (see Appendix)



Worldwide Gross Sales



Third Quarter 2013
(\$ In Millions – Unaudited)



- WW gross sales up (+6%) in the quarter and up (+5%) for the first nine months
 - For Q3, continued strength in International Region* (+9%) and growth in North American Region** (+3%)
 - For first nine months, growth in International Region (+7%) and North American Region (+2%)
- WW growth driven by strong Girls portfolio, Entertainment and Fisher-Price Friends
- Inventory at U.S. retail and Mattel in good shape
 - U.S. retail inventory down as retailers continue to tightly manage inventories
 - Mattel inventory up (+1%) primarily due to cost increases

* Includes International Division (see Appendix)

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



Worldwide Gross Sales by Brand

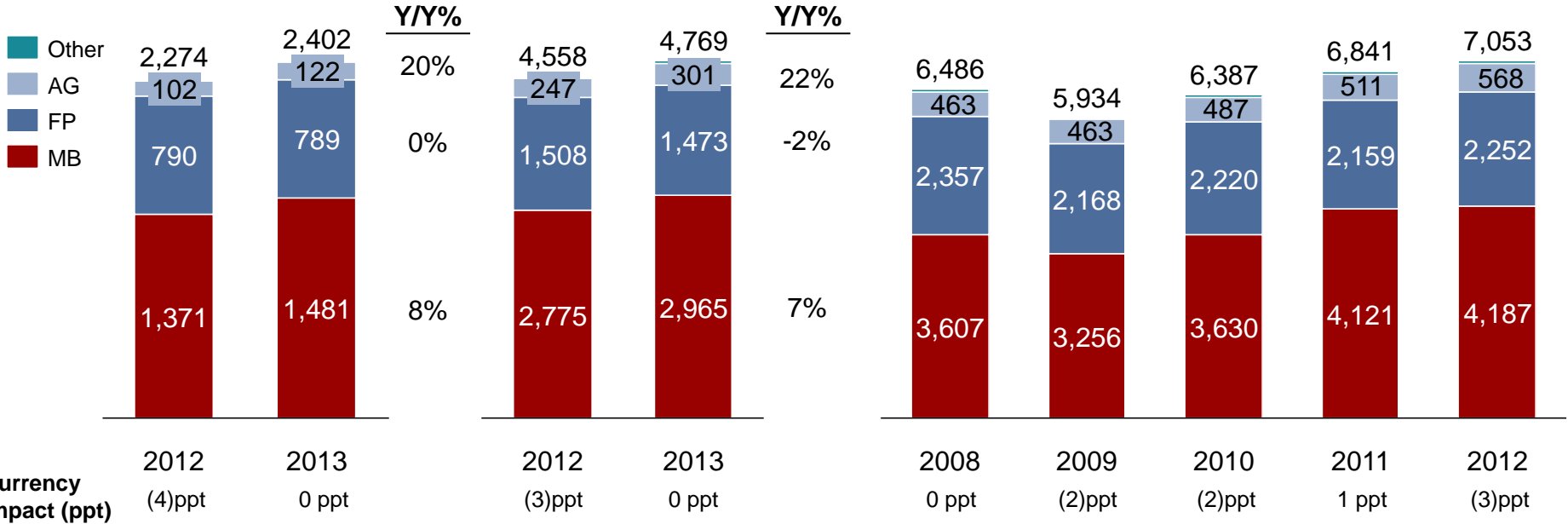


Third Quarter 2013
(\$ In Millions – Unaudited)

Quarter 6%

Year-to-Date 5%

Historical Trend Full Year



Mattel Brands

- Strength in Girls portfolio driven by Monster High, Barbie, and Disney Princess, as well as growth from Max Steel and Planes, partially offset by Wheels and Games & Puzzles

Fisher-Price

- Improved sales with double-digit growth in Friends portfolio, driven by owned properties Thomas & Friends and Mike the Knight. Core was down slightly, as solid growth in Little People, Imaginext and Laugh & Learn was offset by declines in other Fisher-Price Core brands

American Girl

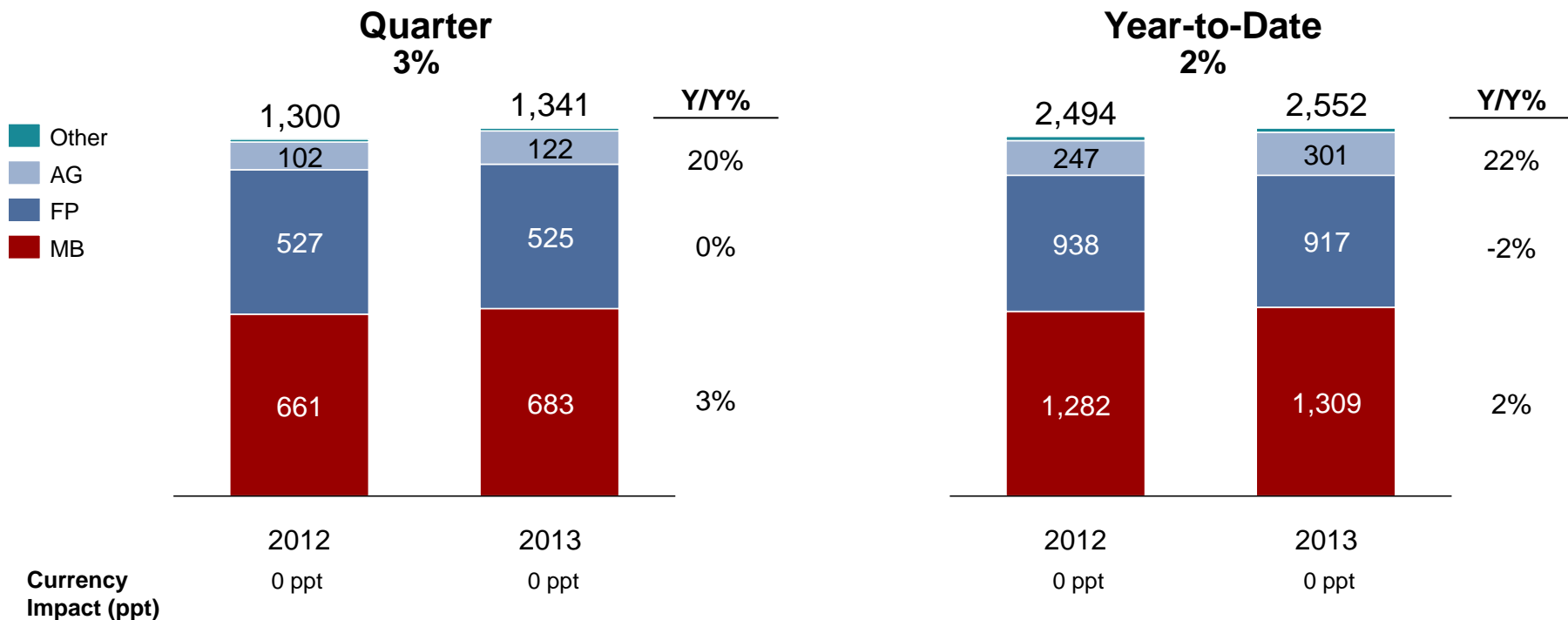
- Strong sales in core dolls, led by Saige, 2013 Girl of the Year, and strong performance across all channels including retail, with solid results from existing and new stores



North American Region Gross Sales by Brand



Third Quarter 2013
(\$ In Millions – Unaudited)



Mattel Brands

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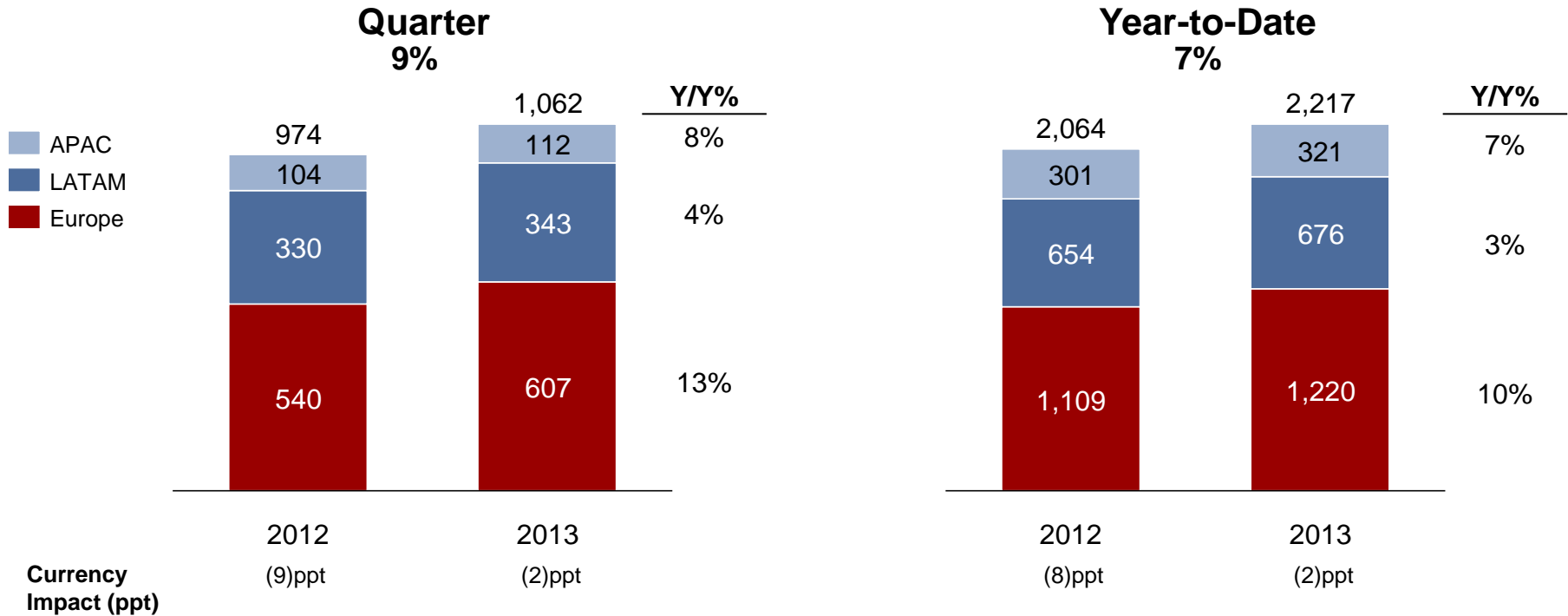


Note: North American Region includes North America Division and American Girl (see Appendix)

International Gross Sales by Region



Third Quarter 2013
(\$ In Millions – Unaudited)




- Q3 revenues up (+13%), including a 3 ppt favorable impact from currency, driven by strong growth in Russia and other Eastern European emerging markets, combined with growth in Core Europe, led by France and Germany



- Q3 revenues up (+4%), including a 6 ppt unfavorable impact from currency, supported by strong growth in Mexico and Brazil, partially offset by small declines elsewhere in the region















- Q3 revenues up (+8%), including a 6 ppt unfavorable impact from currency, due to continued strong growth in China, partially offset by declines elsewhere in the region

 Note: International Region includes International Division (see Appendix)

Gross Margin



Third Quarter 2013
(As a Percentage of Net Sales – Unaudited)

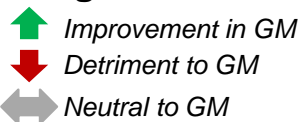
| | Quarter | Year-to-Date |
|-----------------------------|---|---|
| Prior Year: | 53.7% | 52.4% |
| Change Primarily Driven By: | | |
| Pricing |  |  |
| Product Mix |  |  |
| O.E. 3.0 |  |  |
| Input Costs |  |  |
| Currency |  |  |
| Other Product-Related |  |  |
| Current Year: | 53.8% | 53.3% |
| Change: | +10 bps | +90 bps |

Q3 2013 Drivers

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

Near-Term Objective

- Deliver margins within the low-to-mid 50% range





Third Quarter 2013

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

| | Quarter | | Year-to-Date | |
|------------------------------|--------------|----------------|----------------|----------------|
| | In Millions | % of Sales | In Millions | % of Sales |
| Prior Year: | \$393 | 18.9% | \$1,091 | 26.2% |
| Change Primarily Driven By: | | | | |
| Strategic Growth Investments | | | | |
| Employee-Related Costs | | | | |
| Incentive & Equity Comp | | | | |
| O.E. 3.0 | | | | |
| Other | | | | |
| Current Year: | \$410 | 18.6% | \$1,172 | 26.8% |
| Change: | \$17 | -30 bps | \$81 | +60 bps |

Key Drivers

- Modest SG&A leverage in the quarter, including continued strategic growth investments
- Incremental spending on strategic growth investments accounted for about 1/2 of the increase in Q3
- Increased employee-related costs, including merit increases and higher benefit expenses, impacted quarter

Improvement in SG&A
 Detriment to SG&A
 Neutral to SG&A

Operational Excellence 3.0



Third Quarter 2013 (\$ In Millions – Unaudited)

| | Global Cost Leadership | | Operational Excellence 2.0 | | Operational Excellence 3.0 | | | | | 2013-2014 Total Target |
|--|------------------------|-------------|----------------------------|-------------|----------------------------|------------|-------------|-------------|-----------------|------------------------|
| | 2009-2010 Total | % of Gross | 2011-2012 Total | % of Gross | 2013 | | | | | |
| | | | | | Q1 Act | Q2 Act | Q3 Act | YTD Act | FY Target | |
| Structural Savings/ Legal Savings | | | | | | | | | | |
| • Gross Margin | \$89 | 40% | \$42 | 23% | \$3 | \$7 | \$11 | \$21 | | |
| • SG&A* | \$108 | 48% | \$122 | 65% | \$2 | \$2 | \$4 | \$8 | | |
| • Advertising | \$28 | 12% | \$23 | 12% | \$0 | \$0 | \$0 | \$0 | | |
| Gross Savings | \$225 | 100% | \$187 | 100% | \$5 | \$9 | \$15 | \$29 | \$50 | \$150 |
| • Severance/Investment | (13) | | (39) | | (5) | (8) | (3) | (16) | <i>Run rate</i> | |
| Net Savings | \$212 | | \$148 | | \$0 | \$1 | \$12 | \$13 | | |

- 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
- Severance expenses are driven by continuing alignment of International and North American organizations

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

Operating Income



Third Quarter 2013

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

| | Quarter | | Year-to-Date | |
|-----------------------------|-------------|------------|--------------|------------|
| | In Millions | % of Sales | In Millions | % of Sales |
| Prior Year: | \$487 | 23.5% | \$648 | 15.5% |
| Change Primarily Driven By: | | | | |
| Sales Volume | | | | |
| Gross Margin | | | | |
| Advertising & Promotion | | | | |
| SG&A | | | | |
| Currency | | | | |
| Current Year: | \$528 | 23.9% | \$689 | 15.8% |
| Change: | \$41 | +40 bps | \$41 | +30 bps |

Q3 Operating Income up 8%

YTD Operating Income up 6%

- Q3 increase driven by higher sales and improvement in gross margin
- YTD increase driven by higher sales and gross margin, partially offset by higher SG&A spending

Improvement in Op Inc %
 Detriment to Op Inc %
 Neutral to Op Inc %





Third Quarter 2013
(\$ Per Share – Unaudited)

| | Quarter | Year-to-Date |
|--------------------------------|---------------|---------------|
| Prior Year: | \$1.04 | \$1.35 |
| Change Primarily Driven By: | | |
| Operating Income | | |
| Non-Operating Income / Expense | | |
| Taxes | | |
| Share Count | | |
| Current Year: | \$1.21 | \$1.52 |
| Change: | \$0.17 | \$0.17 |
| | 16% | 13% |

**Q3 EPS up
\$0.17 or 16%**

**YTD EPS up
\$0.17 or 13%**

- Q3 increase driven by higher operating income, reduction in share count, lower non-operating expenses, and a favorable tax benefit

Q3 tax benefit of \$0.05

Impact of Foreign Exchange

Q3: \$0.05 unfavorable
YTD: \$0.10 unfavorable

Improvement in EPS
 Detriment to EPS
 Neutral to EPS





2013 Acquisition and Other Related Costs

(\$ in Millions – Unaudited)

| | Q3 | | Year-to-Date | | Full Year | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| | 2012 (actual) | 2013 (actual) | 2012 (actual) | 2013 (actual) | 2012 (actual) | 2013 (estimate) |
| Acquisition and Integration Expenses | \$3 | \$2 | \$20 | \$5 | \$24 | \$7 |
| Amortization of Intangibles | \$1 | \$1 | \$3 | \$3 | \$5 | \$4 |
| Total | \$4 | \$3 | \$23 | \$8 | \$29 | \$11 |

- 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*



Nine months ending 2013

(\$ In Millions – Unaudited)

| | 2012* | 2013 |
|--|------------------|----------------|
| Net Income | \$470 | \$535 |
| Depreciation | \$114 | \$132 |
| Amortization | \$12 | \$13 |
| Change in Working Capital & Other | (\$697) | (\$1,001) |
| Net Cash From / (Used for) Operations | (\$101) | (\$321) |
| Capital Spending | (\$157) | (\$179) |
| Acquisitions | (\$685) | - |
| Other Investing | \$9 | \$3 |
| Net Cash (Used for) Investing | (\$833) | (\$176) |
| Payments of Long-Term Borrowing | (\$50) | (\$350) |
| Net Proceeds from Long-Term Borrowing | - | \$495 |
| Share Repurchases** | (\$39) | (\$400) |
| Dividends | (\$317) | (\$372) |
| Financing Activities and Other | \$253 | \$195 |
| Net Cash From / (Used for) Financing Activities & Other | (\$153) | (\$432) |
| Change in Cash | (\$1,087) | (\$929) |
| Cash at Beginning of Period | \$1,369 | \$1,336 |
| Cash at End of Period | \$282 | \$406 |

Primarily driven by changes in working capital

Cash Flow from Ops

Dividend

Paid quarterly dividend of \$0.36, up (+16%) vs. prior year

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

Financing Activities

Share Repurchase

Acquired 6.1 million shares during Q3 at a total cost of \$259 million

* Certain balances related to the acquisition of HIT Entertainment have been retrospectively adjusted to reflect their final acquisition-date fair values

** Cash paid for share repurchases in 2012 included \$12 million of payments related to shares acquired in 2011. Cash paid for share repurchases in 2013 included \$24 million of payments related to shares acquired in 2012 and excluded \$10 million of payments made after September 30, 2013





Where to Grow

- Core Brands
- Entertainment Properties
- New Franchises
- International

How to 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, U.K.





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