SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required] for the fiscal year ended December 31, 1994.

[_] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required] for the transition period from _________ to _________.

Commission File Number 001-05647

MATTEL, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-1567322
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
333 Continental Boulevard, El Segundo, California	90245-5012
(Address of principal executive offices)	(Zip Code)
(Registrant's telephone number)	(310) 252-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $1 par value (and the associated Preference Share Purchase Rights)	New York Stock Exchange Pacific Stock Exchange
6-7/8% Senior Notes Due 1997	New York Stock Exchange
6-3/4% Senior Notes Due 2000	(None)

Securities registered pursuant to Section 12(g) of the Act:

(None)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. [_]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the close of business on March 17, 1995 was $5,034,861,253.

Number of shares outstanding of registrant's common stock as of March 17, 1995:
Common Stock - $1 par value -- 221,076,302 shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Mattel, Inc. Annual Report to Shareholders for the year ended December 31, 1994 (Incorporated into Parts I, II and IV).

2. Portions of the Mattel, Inc. 1995 Notice of Annual Meeting of Stockholders and Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year (Incorporated into Part III).

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PART I

ITEM 1. BUSINESS

The Company designs, develops, manufactures, markets and distributes a broad variety of toy products on a worldwide basis. The Company's four strongest principal product lines are BARBIE fashion dolls and doll clothing and accessories, FISHER-PRICE toys and juvenile products, the Company's Disney-licensed toys and die-cast HOT WHEELS vehicles, each of which has broad worldwide appeal. Additional current principal product lines consist of POWER WHEELS battery-powered ride-on vehicles; large dolls; preschool toys, including SEE 'N SAY talking toys; and the UNO and SKIP-BO games. Revenues for 1994 of $3.2 billion were a record level for the Company.

In May 1994, the Company completed the acquisition of the assets of Kransco, Inc. ("Kransco" and the "Kransco Acquisition"), and in July 1994, the Company completed the acquisition of J.W. Spear & Sons PLC ("Spear" and the "Spear Acquisition"). Products acquired from Kransco include POWER WHEELS battery-powered ride-on vehicles, HULA HOOP and FRISBEE products marketed under the WHAM-O trademark and MOREY BOOGIE bodyboards and other water sport toys. Spear is a British company that holds the rights to SCRABBLE and other games outside of North America. See Note 7 to the Consolidated Financial Statements in the Annual Report to Shareholders for the year ended December 31, 1994 (the "Annual Report to Shareholders"), incorporated herein by reference. As used herein, unless the context requires otherwise, "Mattel" or the "Company" refers to Mattel, Inc., and its subsidiaries, and "Fisher-Price" refers to Fisher-Price, Inc., a Delaware corporation and wholly-owned subsidiary of Mattel.

Mattel was incorporated in California in 1948 and reincorporated in Delaware in 1968. Its executive offices are located at 333 Continental Boulevard, El Segundo, California 90245-5012, telephone (310) 252-2000.

COMPETITION AND INDUSTRY BACKGROUND

Competition in the toy industry is based primarily on price, quality and play value. In recent years, the toy industry has experienced rapid consolidation driven, in part, by the desire of industry competitors to offer a range of products across a broader variety of categories. In the United States, the Company competes with several large toy companies, including Hasbro, Inc. and Tyco Toys, Inc. as well as a number of smaller toy companies. The larger toy companies have pursued a strategy of focusing on core product lines. Core product lines are those lines which are expected to be marketed for an extended period of time, and which historically have provided relatively consistent growth in sales and profitability. By focusing on core product lines, toy manufacturers have been able to reduce their reliance on new product introductions and the associated risk and volatility. The juvenile products market, in which Fisher-Price is one of the leading companies, is more fragmented. The more significant competitors in this area include: Gerry Baby Products Company; Century Products Company; Graco Children's Products, Inc.; Cosco, Inc.; and Evenflo Juvenile Furniture Company, Inc.

The toy industry is also experiencing a shift toward greater consolidation of retail distribution channels, such as large specialty toy stores and discount retailers, including Toys R Us, Wal-Mart, Kmart and Target, which have increased their overall share of the retail market. This consolidation has resulted in an increased reliance among retailers on the large toy companies because of their financial stability and ability to support products through advertising and promotion and to distribute products on a national basis. These retailers' growing acceptance of electronic data interchange has provided toy manufacturers with an ability to more closely monitor consumers' acceptance of a particular product or product line.

Over the last ten years, toy companies based in the United States have expanded their international marketing and manufacturing operations. The Company believes a strong international distribution system can add significantly to the sales volume of core product lines and extend the life cycles of newly-developed products.

SEASONALITY

Sales of toy products at retail are seasonal, with a majority of retail sales occurring during the period from September through December. Consequently, shipments of toy products to retailers are greater in the third and fourth quarters than in each of the first and second quarters combined. As the large toy retailers become more efficient in their control of inventory levels, this seasonality is likely to increase.

In anticipation of this seasonal increase in retail sales, the Company significantly increases its production in advance of the peak selling period, resulting in a corresponding build-up of inventory levels. In addition, the Company and others in the industry develop sales programs, including offering extended payment terms, to encourage retailers to purchase merchandise earlier in the year. These sales programs, coupled with seasonal shipping patterns, result in significant peaks in the third and fourth quarters in the respective levels of inventories and accounts receivable, which contribute to a seasonal working capital financing requirement. See "Seasonal Financing."

PRODUCTS

The Company has been able to record consistent sales and earnings growth by focusing on a number of core product lines supplemented by various new product introductions. The Company's four strongest core product lines are BARBIE fashion dolls and doll clothing and accessories, FISHER-PRICE toys and juvenile products, the Company's Disney-licensed toys and die-cast HOT WHEELS vehicles, each of which has broad worldwide appeal. Additional current principal product lines consist of POWER WHEELS battery-powered ride-on vehicles; large dolls; preschool toys, including SEE 'N SAY talking toys; and the UNO and SKIP-BO games. Core product lines are expected to be marketed for an extended period of time and historically have provided relatively consistent growth in sales and profitability. For the year ended December 31, 1994, core products accounted for approximately 84% of sales. In order to provide greater flexibility in the manufacture and delivery of products, and as part of a continuing effort to reduce manufacturing costs, the Company has concentrated production of most of its core products in Company-owned facilities and generally uses independent contractors for the production of non-core products.

In September 1994, the Company entered into a License Agreement with Original Appalachian Artworks, Inc. pursuant to which the Company obtained the exclusive worldwide rights to manufacture, sell and distribute dolls, doll accessories and doll clothing bearing the CABBAGE PATCH KIDS trademark beginning in January 1995.

With respect to new product introductions, the Company's strategy is to begin production on a limited basis until a product's initial success has been proven in the marketplace. The production schedule is then modified to meet anticipated demand. The Company further limits its risk by generally having independent contractors manufacture new product lines in order to minimize capital expenditures associated with new product introductions. This strategy has reduced inventory risk and significantly limited the potential loss associated with new product introductions.

New product introductions in 1994 included the 35th anniversary BARBIE doll, the gymnast BARBIE doll and the DR. BARBIE doll, the addition of a series of plush products, action figures and small dolls based on the animated feature "The Lion King" to the Company's Disney line, the Fisher-Price 3-in-1 Tournament Table and the addition of the TOP SPEED line of vehicles to the Company's HOT WHEELS line.

New product introductions in 1995 will include Cut 'N Style BARBIE, Baywatch BARBIE and Butterfly Princess BARBIE, CABBAGE PATCH KIDS, the addition of MICRO vehicles to the HOT WHEELS line, Fisher-Price outdoor play equipment and the addition of a series of plush products, action figures and small dolls based on the animated feature "Pocahontas" to the Company's Disney line. The Company will also introduce Nickelodeon SMUD.

INTERNATIONAL OPERATIONS

Revenues from the Company's international operations represented approximately 41%, 40% and 41% of total consolidated revenues in 1994, 1993 and 1992, respectively. Products which are developed and marketed successfully in the United States typically generate incremental sales and profitability when marketed through the Company's international distribution network. Generally, products marketed internationally are the same as those marketed domestically, although some are developed or adapted for particular international markets. The Company sells its products directly through its marketing operations in Argentina, Australia, Austria, the Benelux countries, Canada, Chile, France, Germany, Greece, Italy, Japan, Mexico, Portugal, Scandinavia, Spain, Switzerland, the United Kingdom, Venezuela and in certain areas of Eastern Europe and Asia. In 1995, the Company will begin selling its products directly in Colombia through a newly established subsidiary. In addition to direct sales, the Company sells principally through distributors in Central and South America, the Middle East, South Africa and Southeast Asia. It also licenses some of its products to other toy companies for sale in various other countries. See "Licenses and Distribution Agreements."

The strength of the U.S. dollar relative to other currencies can significantly affect the revenues and profitability of the Company's international operations. The Company hedges a majority of intercompany purchases and sales of inventory in order to protect local cash flows and profitability from currency fluctuations. See "Financial Instruments." For financial information by geographic area, see Note 8 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

PRODUCT DESIGN AND DEVELOPMENT

Through its product design and development group, the Company regularly refreshes, redesigns and extends existing product lines and develops innovative new product lines. The Company's success is dependent on its ability to continue this activity. Product design and development are principally conducted by a group of professional designers and engineers employed by the Company.

License agreements with third parties permit the Company to utilize the name, character or product of the licensor in its product line. A principal licensor is The Walt Disney Company, which licenses many of its characters for use on the Company's products. The Company also has entered into license agreements with, among others, the following: McDonald's, Inc.; MCA Universal Merchandising, Inc.; the Time Warner Entertainment Company, L.P. and DC Comics, Inc. units of Time Warner Inc.; Turner Home Entertainment, Inc.; Children's Television Workshop; Viacom, Inc. relating to its Nickelodeon properties; Bluebird Toys (UK) Limited; Original Appalachian Artworks, Inc.; and General Motors Corporation. A number of these licenses relate to product lines that are significant to the Company.

Independent toy designers and developers bring products to the Company and are generally paid a royalty on the net selling price of products licensed by the Company. These independent toy designers may also create different products for other toy companies.

The Company devotes substantial resources to product design and development. During the years ended December 31, 1994, December 31, 1993 and December 31, 1992, the Company expended approximately $93 million, $75 million and $77 million, respectively, in connection with the design and development of products, exclusive of royalty payments. See Note 10 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

ADVERTISING AND PROMOTION

The Company supports its product lines with extensive advertising and consumer promotions. Advertising continues at varying levels throughout the year and peaks during the Christmas season. Advertising includes television and radio commercials and magazine and newspaper ads. Promotions include in-store displays, coupons, merchandising materials and major events focusing on products and tie-ins with various consumer product companies. To further promote the Company and its products, the Company participates in the attractions "It's A Small World" at Disneyland and Walt Disney World and "Autopia" at Disneyland Paris under a ten-year agreement with The Walt Disney Company. The Company also participates in toy stores in Disneyland, Disneyland Paris and in the Disney Village Market Place near Walt Disney World. Separately, the Company has established a total of sixteen BARBIE Boutiques in F.A.O. Schwarz toy stores, including the "BARBIE on Madison" boutique at the F.A.O. Schwarz flagship store in New York City.

During the years ended December 31, 1994, December 31, 1993 and December 31, 1992, Mattel spent approximately $516 million (16% of net sales), $427 million (16% of net sales) and $403 million (16% of net sales), respectively, on worldwide advertising and promotion.

MARKETING AND SALES

The Company's toy products are sold throughout the world. In the United States, the Company's products are distributed directly to large retailers, including discount and free-standing toy stores, chain stores and department stores, and other retail outlets and, to a limited extent, to wholesalers. Discount and free-standing toy stores continue to increase their market share. During the year ended December 31, 1994, Toys R Us and Wal-Mart accounted for approximately 23% and 13%, respectively, of worldwide consolidated net sales and were the only customers accounting for 10% or more of consolidated net sales.

In general, the Company's major domestic and international customers review its product lines and product concepts for the upcoming year at showings beginning in late summer. The Company also participates in the domestic and international toy industry trade fairs in the first quarter of the year. A majority of the full-year orders are received by May 1. As is traditional in the toy industry, these orders may be canceled at any time before they are shipped. Historically, the greater proportion of shipments of products to retailers occurs during the third and fourth quarters of the year. See "Seasonality."

Through its marketing research departments, the Company conducts basic consumer research and product testing and monitors demographic factors and trends. This information assists the Company in evaluating consumer acceptance of products, including an analysis of increasing or decreasing demand for its products.

The Company bases its production schedules on customer orders, modified by historical trends, results of market research and current market information. The actual shipments of products ordered and the order cancellation rate are affected by consumer acceptance of the product line, the strength of competing products, marketing strategies of retailers and overall economic conditions. Unexpected changes in these factors can result in a lack of product availability or excess inventory in a particular product line.

MANUFACTURING

The Company's products are manufactured in Company-owned facilities and by independent contractors. Products are also purchased from unrelated entities that design, develop and manufacture the products. In order to provide greater flexibility in the manufacture and delivery of products, and as part of a continuing effort to reduce manufacturing costs, the Company has concentrated production of most of its core products in the Company's facilities and generally uses independent contractors for the production of non-core products.

As a result of the Kransco Acquisition and Spear Acquisition, Mattel acquired manufacturing facilities in the state of Indiana, and the United Kingdom and Mexico, respectively, which are in addition to its existing manufacturing facilities in the states of California, Kentucky, New York, the United Kingdom, Mexico, the Far East (China, Indonesia and Malaysia) and Italy. In January 1995, the Company announced a work force reduction in its manufacturing facility located in Medina, New York as part of a company-wide restructuring. The Company also utilizes independent contractors to manufacture products in the United States, Mexico, the Far East and Australia. To protect the stability of its product supply, the Company produces many of its key products in more than one facility.

Foreign countries in which the Company's products are manufactured (principally China, Indonesia, Malaysia and Mexico) currently enjoy "most favored nation" ("MFN") status under U.S. tariff laws, which provides the most favorable category of U.S. import duties. As a result of continuing concerns in the United States Congress regarding China's human and worker rights policies, and the current trade dispute covering China's inadequate protection of U.S. intellectual property rights, there has been, and may be in the future, opposition to the extension of MFN status for China.

The loss of MFN status for China would result in a substantial increase in the import duty for toys manufactured in China and imported into the United States and would result in increased costs for the Company and others in the toy industry. The impact of such an event on the Company would be significantly mitigated by the Company's ability to source product for the U.S. market from countries other than China and ship product manufactured in China to markets outside the U.S. Toward that end, the Company has extended its production capacity in other countries. A number of other factors, including the Company's ability to pass along the added costs through price increases and the pricing policies of vendors in China, could further mitigate the impact of a loss of China's MFN status.

On February 8, 1994, the European Union ("EU") adopted quotas on the importation of certain classes of toys (as well as other products) manufactured in China. The Company expects that the impact of these quotas on its business will be significantly mitigated by shifts in demand in favor of toy categories not subject to the quotas, and by the ability of the Company to source product for the EU from countries other than China and ship product manufactured in China elsewhere. The Company does not currently expect that these quotas will have a material effect on its business.

In December 1994, the EU significantly reduced the GSP duty free treatment previously extended to toys imported into Europe. During 1994, toys were allowed to enter the EU free under the GSP program, but effective January 1, 1995, toys imported into the EU are assessed a GSP rate of 5.1%, which is 70% of the normal duty rate of 7.3%. This increase in duties paid in Europe will be offset by a reduction in worldwide duty expense resulting from the passage of the Uruguay Round by the United States Congress in December 1994 and its official implementation on January 1, 1995. In the United States, all duties on dolls and traditional toys have been completely eliminated. Canada has also reduced its tariffs to zero, with the exception of toy sets and board games. In Japan and the EU, doll tariffs were only reduced by an average of 20%, with tariffs in some product categories of lesser importance to Mattel scheduled to be reduced or phased out over a period of 5 to 10 years. The Company does not currently expect that the net impact of these changes will have a material effect on its business.

COMMITMENTS

In the normal course of business, the Company enters into contractual arrangements for future purchases of goods and services to ensure availability and timely delivery, and to obtain and protect the right to create and market certain toys. Such arrangements include commitments for future inventory purchases and royalty payments pursuant to license agreements. Certain of these purchase agreements and licenses contain provisions for guaranteed or minimum payments during the terms of the contracts and licenses. See "Management's Discussion and Analysis of Results of Operations and Financial Condition--Commitments" and Note 6 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

LICENSES AND DISTRIBUTION AGREEMENTS

The Company's level of licensing activity has expanded in recent years. Royalties paid to licensors during the years ended December 31, 1994, December 31, 1993 and December 31, 1992 were approximately $84 million, $69 million and $50 million, respectively. See Note 6 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

The Company also distributes products which are independently designed and manufactured.

FINANCIAL INSTRUMENTS

From time to time, the Company enters into foreign currency forward exchange contracts and swap agreements as hedges for payment of inventory purchases, collection of sales and various other intercompany transactions. The contracts are intended to fix a portion of the Company's product cost and intercompany cash flows, and thereby moderate the impact of foreign currency fluctuations. The Company does not speculate in foreign currencies.

For additional information regarding foreign currency contracts, see Note 6 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

SEASONAL FINANCING

The Company's financing of seasonal working capital typically grows throughout the first half of the year and peaks in the third or fourth quarter, when accounts receivable are at their highest due to increased sales volume and Company sales programs, and when inventories are at their highest in anticipation of expected second half sales volume. See "Seasonality." Borrowings for seasonal financing are generally repaid in full by year-end from cash flows generated in the fourth quarter from sales and collection of accounts receivable.

To finance its working capital requirements, the Company maintains and periodically revises or replaces a revolving credit agreement with a commercial bank group. The agreement in effect during 1994 consisted of unsecured domestic facilities providing a total of $500.0 million in seasonal financing. The facilities also provided for up to $250.0 million in advances and backup for commercial paper issuances ($125.0 million of which was a 364-day facility and the other $125.0 million was a three-year facility), and up to an additional $250.0 million (a three-year facility) for nonrecourse purchases of certain trade accounts receivable by the bank group. In connection with the agreement, the Company was required to comply with certain consolidated financial covenants for debt-to-capital, interest coverage and tangible net worth levels. Interest was charged at various rates not greater than the base rate charged by the agent bank. Commitment fees on the unused line available for advances were not greater than .1375%.

In 1994, the Company's domestic seasonal borrowings outstanding under the revolving credit agreement and other bank borrowings averaged approximately $271 million and reached a peak of approximately $613 million during the third quarter. This balance was fully repaid by December 31, 1994. The Company's 1994 seasonal borrowings outstanding under international credit lines averaged approximately $36 million and reached a peak of approximately $74 million in the third quarter.

Effective in March 1995, the Company amended its revolving credit agreement. The new agreement consists of unsecured facilities providing a total of $650.0 million in seasonal financing from substantially the same group of commercial banks. The facilities provide for up to $400.0 million in advances and backup for commercial paper issuances (a three-year facility), and up to an additional $250.0 million (a three-year facility) for nonrecourse purchases of certain trade accounts receivable by the bank group. In connection with the agreement, the Company is required to comply with certain consolidated financial covenants for debt-to-capital, interest coverage and tangible net worth levels.

Concurrently with the consummation of the Kransco Acquisition, the Kransco seasonal credit line was terminated and Kransco's domestic seasonal working capital needs were financed by Mattel's revolving credit agreement.

The Company believes the amounts available to it under its revolving credit agreement and its foreign credit lines will be adequate to meet its seasonal financing requirements.

RAW MATERIALS

Packaging materials, most plastics and zinc essential to the production and marketing of toy products are currently in adequate supply. These and other raw materials are generally available from a number of suppliers. Prices for resin and packaging materials are expected to rise in 1995.

TRADEMARKS, COPYRIGHTS, AND PATENTS

Most of the Company's products are sold under trademarks, trade names and copyrights and a number of those products incorporate patented devices or designs. Trade names and trademarks are significant assets to the Company in that they provide product recognition and acceptance worldwide.

The Company customarily seeks patent, trademark or copyright protection covering its products, and it owns or has applications pending for United States and foreign patents covering many of its products. A number of these trademarks and copyrights relate to product lines that are significant to the Company and the Company believes its rights to these properties are adequately protected.

The Company also licenses various of its trademarks, characters and other property rights to others for use in connection with the sale by others of non-toy products and other products which do not compete with the Company's products.

GOVERNMENT REGULATIONS

The Company's toys are subject to the provisions of the Consumer Product Safety Act, the Federal Hazardous Substances Act and the Flammable Fabrics Act, and the regulations promulgated thereunder. The Consumer Product Safety Act and the Federal Hazardous Substances Act enable the Consumer Product Safety Commission (the "CPSC") to exclude from the market consumer products that fail to comply with applicable product safety regulations or otherwise create a substantial risk of injury, and articles that contain excessive amounts of a banned hazardous substance. The Flammable Fabrics Act enables the CPSC to regulate and enforce flammability standards for fabrics used in consumer products. The CPSC may also require the repurchase by the manufacturer of articles which are banned. Similar laws exist in some states and cities and in various international markets.

Fisher-Price's car seats are subject to the provisions of the National Highway Transportation Safety Act, which enables the National Highway Traffic Safety Administration ("NHTSA") to promulgate performance standards for child restraint systems. Fisher-Price conducts periodic tests to ensure that its child restraint systems meet applicable standards. A Canadian agency, Transport Canada, also regulates child restraint systems sold for use in Canada. As with the CPSC, NHTSA and Transport Canada can require the recall and repurchase or repair of products which do not meet their respective standards.

The Company maintains a quality control program to ensure product safety compliance with the various federal, state and international requirements.

EFFECTS OF INFLATION
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Inflation rates in the U.S. and major foreign countries in which the Company operates have not had a significant impact on operating results for the three years ended December 31, 1994. The U.S. Consumer Price Index increased 2.7% in 1994, 2.7% in 1993 and 2.9% in 1992. The Company is afforded some protection from the impact of inflation as a result of high turnover of inventories and benefited from inflation on the repayment of fixed-rate liabilities during these periods.

EMPLOYEES
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The total number of persons employed by the Company and its subsidiaries at any one time varies because of the seasonal nature of its manufacturing operations. At December 31, 1994, the Company's total number of employees, including its international operations, was approximately 22,000.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company, all of whom are appointed annually by the Board of Directors and serve at the pleasure of the Board, are as follows:

NAME	AGE	POSITION	EXECUTIVE OFFICER SINCE
John W. Amerman	63	Chairman of the Board & Chief Executive Officer	1980
Jill E. Barad	43	President & Chief Operating Officer and a Director of Mattel, Inc.	1984
James A. Eskridge	52	President, Fisher-Price, Inc. and a Director of Mattel, Inc.	1988
Joseph C. Gandolfo	52	President, Mattel Operations	1990
Lindsey F. Williams	58	President, Mattel International and a Director of Mattel, Inc.	1976
Francesca Luzuriaga	40	Executive Vice President, Finance	1994
Ned Mansour	46	Senior Vice President, General Counsel & Secretary	1992
E. Joseph McKay	54	Senior Vice President, Human Resources and Administration	1993
Gary P. Rolfes	43	Senior Vice President & Controller	1993
William Stavro	55	Vice President & Treasurer	1993

Mr. Amerman has been Chairman of the Board & Chief Executive Officer since February 1987 and a member of the Board of Directors since November 1985. Prior to that he served as President of Mattel International.

Ms. Barad has been President & Chief Operating Officer since August 1992 and a member of the Board of Directors since November 1991. From December 1989 until August 1992, she was

President, Mattel USA. Prior to that she served in various executive positions in the Marketing, Product Design and Product Development areas.

Mr. Eskridge has been a member of the Board of Directors since February 1993 and President of Fisher-Price, Inc. since November 1993. Prior to that he was Executive Vice President & Chief Financial Officer of Mattel, Inc.

Mr. Gandolfo has been President, Mattel Operations, since April 1990. Prior to that he was General Manager of Manufacturing, Thompson Consumer Electronics.

Mr. Williams has been a member of the Board of Directors since November 1991 and has been President, Mattel International for more than five years.

Ms. Luzuriaga has been Executive Vice President, Finance since December 1994. From March 1989 until December 1994, she served in several senior managerial positions at Mattel, including Controller and Treasurer.

Mr. McKay has been Senior Vice President, Human Resources and Administration since November 1993. From December 1991 until November 1993 he was Vice President, Human Resources. He was Senior Director Human Resources from March 1991 to December 1991. Prior to that he was Vice President Human Resources-Administration of Mileage Plus, Inc.

Mr. Mansour has been Senior Vice President, General Counsel & Secretary since February 1993. From May 1992 until February 1993 he was Senior Vice President & General Counsel and from April 1991 until May 1992 he was Vice President & Associate General Counsel. Prior to that he was Vice President & Assistant General Counsel.

Mr. Rolfes has been Senior Vice President & Controller since November 1993. From June 1993 to November 1993 he was Vice President & Controller. Prior to that he held various executive positions within the finance department.

Mr. Stavro has been Vice President & Treasurer since November 1993. From March 1992 to November 1993 he was Vice President and Assistant Treasurer. Prior to that he was Assistant Treasurer for more than five years.

ITEM 2. PROPERTIES

Mattel owns its corporate headquarters consisting of approximately 335,000 square feet in El Segundo, California, which is subject to a $45.0 million mortgage. Mattel also leases buildings in El Segundo consisting of approximately 265,000 square feet, which are primarily used for its design and development and audio visual departments. Fisher-Price owns its headquarters facilities in East Aurora, New York, consisting of approximately 290,000 square feet.

The Company maintains sales offices in California, Illinois, New York and Texas, and warehouse and distribution facilities in California, Kentucky, New York, Tennessee and Texas. The Company owns a computer facility in Phoenix, Arizona. Internationally, the Company has offices and/or warehouse space in Argentina, Australia, Belgium, Canada, Chile, Denmark, France, Germany, Greece, Hong Kong and in certain other areas of Asia, Italy, Japan, Mexico, The Netherlands, Spain, Switzerland, the United Kingdom and Venezuela. The Company's principal manufacturing facilities are located in China, Indonesia, Italy, Malaysia, Mexico, the United Kingdom and the United States. See "Manufacturing."

Most of the Company's facilities are occupied under long-term leases and, for the most part, are fully utilized, although excess manufacturing capacity exists from time to time based on product mix and demand. With respect to leases which are scheduled to expire during the next twelve months, the Company may negotiate new lease agreements, renew leases or utilize alternative facilities.

As a result of the Kransco and Spear Acquisitions, the Company acquired leased sales offices and warehouse and distribution facilities in California and Virginia, and leased or owned domestic manufacturing facilities in Indiana, and international manufacturing facilities in Mexico and the United Kingdom. The Company is currently evaluating the desirability of maintaining certain of these facilities and expects to sell, sublease or not renew the leases of those facilities which are vacant, under-utilized or redundant.

ITEM 3. LEGAL PROCEEDINGS

The Company's Fisher-Price subsidiary has executed a consent order with the State of New York involving a remedial action/feasibility study for voluntary cleanup of contamination at one of its manufacturing plants. The ultimate liability associated with this cleanup presently is estimated to be less than $1,375,000, approximately $575,000 of which has been incurred through December 31, 1994.

The Company is involved in various litigation and other legal matters which are being defended and handled in the ordinary course of business. None of these matters is expected to result in outcomes having a material adverse effect on the Company's liquidity, operating results or consolidated financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

For information regarding the markets in which the Company's common stock is traded, see the cover page hereof, and for information regarding the high and low sales prices of the Company's common stock for the last two calendar years, see Note 9 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

As of March 1, 1995, the Company had approximately 37,000 holders of record of its common stock.

The Company paid per share dividends of $0.032 in January and April of 1993. In each of July and October of 1993 and January of 1994, the Company paid dividends of $0.038 per share, and in April, July and October 1994 and January 1995, the Company paid dividends of $0.048 per share. The dividends have been adjusted to reflect five-for-four stock splits which the Company declared on its common stock to holders of record on December 17, 1993 and January 6, 1995.

ITEM 6. SELECTED FINANCIAL DATA

The information under the caption "Five-Year Financial Summary" on page 26 in the Annual Report to Shareholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 27 through 31 in the Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Mattel, Inc. and Subsidiaries, together with the report of Price Waterhouse LLP dated February 6, 1995, included on pages 32 through 51 in the Annual Report to Shareholders are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required under this Item relating to members of the Board of Directors is incorporated by reference herein from the Company's 1995 Notice of Annual Meeting of Stockholders and Proxy Statement. The information with respect to executive officers of the Company appears under the heading "Executive Officers of the Registrant" in Part I herein.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this Item is incorporated by reference herein from the Company's 1995 Notice of Annual Meeting of Stockholders and Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required under this Item is incorporated by reference herein from the Company's 1995 Notice of Annual Meeting of Stockholders and Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under this Item is incorporated by reference herein from the Company's 1995 Notice of Annual Meeting of Stockholders and Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

	Annual Report Page Number(1)
(1) Financial Statements	
Consolidated Balance Sheets as of December 31, 1994 and December 31, 1993	32-33
Consolidated Statements of Income for the years ended December 31, 1994, December 31, 1993 and December 31, 1992	34
Consolidated Statements of Cash Flows for the years ended December 31, 1994, December 31, 1993 and December 31, 1992	35
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1994, December 31, 1993 and December 31, 1992	36
Notes to Consolidated Financial Statements	37-50
Report of Price Waterhouse LLP, Independent Accountants to the Company	51

1 Incorporated by reference from the indicated pages of the Annual Report to Shareholders for the year ended December 31, 1994. With the exception of the information incorporated by reference in Items 1, 5, 6, 7, 8 and 14 of this report, the Annual Report to Shareholders is not deemed filed as part of this report.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Fisher-Price, Inc.

We have audited the consolidated statements of income, stockholders' equity and cash flows of Fisher-Price, Inc. and subsidiaries for the fiscal year ended January 3, 1993. We have also audited the financial statement schedules. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Fisher-Price, Inc. and subsidiaries for the fiscal year ended January 3, 1993, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

/s/ Coopers & Lybrand L.L.P.

Boston, Massachusetts
February 4, 1993

(2) Financial Statement Schedule for the years ended December 31, 1994, December 31, 1993 and December 31, 1992(1)

Schedule V - Valuation and Qualifying Accounts and Allowances

(3) Exhibits (Listed by numbers corresponding to Item 601 of Regulation S-K)

2.0 Agreement and Plan of Merger, dated as of August 19, 1993, by and among the Company, MAT Acquisition, Inc. and Fisher-Price, Inc. (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-4, Registration Statement No. 33-50749)

2.1 Amended and Restated Asset Purchase Agreement, dated as of March 26, 1994 and amended and restated as of May 15, 1994, by and between Kransco and Mattel, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated May 31, 1994)

3.0 Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.0 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993)

3.1 By-laws of the Company, as amended to date (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992)

4.0 Rights Agreement, dated as of February 7, 1992, between the Company and The First National Bank of Boston, as Rights Agent (incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A, dated February 12, 1992)

(The Company has not filed certain long-term debt instruments under which the principal amount of securities authorized to be issued does not exceed 10% of the total assets of the Company. Copies of such agreements will be provided to the Securities and Exchange Commission upon request.)

10.0 Credit Agreement dated as of March 10, 1995 among the Company, the Banks named therein and Bank of America National Trust and Savings Association, as Agent (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K dated March 21, 1995)

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1 All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

10.1 Second Amended and Restated Transfer and Administration Agreement dated as of March 10, 1995 among the Company, Mattel Sales Corp., Fisher-Price, Inc., the Banks named therein and NationsBank of Texas, N.A., as Agent (incorporated by reference to Exhibit 99.6 to the Company's Current Report on Form 8-K dated March 21, 1995)

10.2 Underwriting Agreement dated May 19, 1993 between the Company, Morgan Stanley & Co. Incorporated and Kidder, Peabody & Co. Incorporated (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993)

10.3 Stock Subscription Warrant dated as of June 28, 1991 between Fisher-Price, Inc. and certain investors (incorporated by reference to Exhibit 4(c) to Fisher-Price's Report on Form 10-K for the transition period from July 1, 1991 to December 29, 1991)

10.4 Underwriting Agreement dated July 31, 1992 between the Company, Morgan Stanley & Co. Incorporated and Kidder, Peabody & Co. Incorporated (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992)

10.5 Distribution Agreement dated September 19, 1994 among the Company, Morgan Stanley & Co. Incorporated and CS First Boston Corporation (incorporated by reference to Exhibit 99.0 to the Company's Current Report on Form 8-K dated September 20, 1994)

Executive Compensation Plans and Arrangements of the Company
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10.6 Form of Indemnity Agreement between Mattel and its directors and certain of its executive officers (incorporated by reference to Exhibit B to Notice of Annual Meeting of Stockholders of the Company dated March 24, 1987)

10.7 Form of Employment Agreement between the Company and certain executive officers (incorporated by reference to Exhibit 10.6 of Amendment No. 1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1987)

10.8 Form of Employment Agreement between the Company and certain executive officers (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992)

10.9 Form of Amended & Restated Employment Agreement between the Company and certain executive officers (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993)

10.10 Mattel, Inc. Management Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated April 14, 1994)

10.11 Mattel, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated April 14, 1994)

10.12 Mattel, Inc. Financial Security Program Agreement for certain officers (incorporated by reference to Exhibit 10.7 of the Company's Registration Statement No. 2-95161 on Form S-1, filed January 7, 1985)

10.13 Form of Deferred Compensation Plan for Directors (incorporated by reference to Exhibit No. 10.11 of Amendment No. 1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1987)

10.14 Mattel, Inc. 1990 Stock Option Plan (incorporated by reference to Exhibit A to the Notice of Annual Meeting of Stockholders and Proxy Statement of the Company dated March 15, 1990)

10.15 Amendment No. 1 to the Mattel, Inc. 1990 Stock Option Plan (incorporated by reference to the information under the heading "Amendment to Mattel 1990 Stock Option Plan" on page F-1 of the Joint Proxy Statement/Prospectus of the Company and Fisher-Price included in the Company's Registration Statement on Form S-4, Registration Statement No. 33-50749)

10.16 Form of Award Agreement evidencing award of stock appreciation rights granted pursuant to the Company's 1990 Stock Option Plan to certain executive officers of the Company ("Award Agreement") (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991)

10.17 Form of First Amendment to Award Agreement (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993)

10.18 Notice of Grant of Stock Options and Grant Agreement (incorporated by reference to Exhibit 99.0 to the Company's Current Report on Form 8-K dated May 31, 1994)

10.19 Grant Agreement fo a Non-Qualified Stock Option (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated May 31, 1994)

10.20 Award Cancellation Agreement (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated May 31, 1994)

10.21 Form of Restricted Stock Award Agreement under the Mattel 1990 Stock Option Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993)

10.22 Mattel, Inc. Supplemental Executive Retirement Plan effective as of October 7, 1990 (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1990)

10.23 Mattel, Inc. Supplemental Executive Retirement Plan effective as of April 1, 1994 (incorporated by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K dated March 21, 1995)

10.24 Description of the Mattel, Inc. Deferred Compensation Plan for Officers (incorporated by reference to Exhibit 10.16 to the Mattel, Inc. Annual Report on Form 10-K for the year ended December 31, 1991)

10.25 Fisher-Price, Inc. Matching Savings Plan, 1994 Restatement (incorporated by reference to Exhibit 99.8 to the Company's Current Report on Form 8-K dated March 21, 1995)

10.26 The Fisher-Price, Inc. Pension Plan (1989 Restatement) (incorporated by reference to Exhibit 10(l) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)

10.27 Mattel, Inc. Personal Investment Plan, 1993 Restatement (incorporated by reference to Exhibit 99.9 to the Company's Current Report on Form 8-K dated March 21, 1995)

10.28 First Amendment to the Mattel, Inc. Personal Investment Plan, 1993 Restatement (incorporated by reference to Exhibit 99.10 to the Company's Current Report on Form 8-K dated March 21, 1995)

11.0* Computation of Income per Common and Common Equivalent Share

13.0* Pages 26 through 53 of the Mattel, Inc. Annual Report to Shareholders for the year ended December 31, 1994

21.0* Subsidiaries of the Registrant

23.0* Consent of Price Waterhouse LLP

23.1* Consent of Coopers & Lybrand L.L.P.

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* Filed herewith.

24.0* Power of Attorney (on page 26 of Form 10-K)

27.0* Financial Data Schedule (EDGAR filing only)

(b) Reports on Form 8-K

Mattel, Inc. filed the following Current Reports on Form 8-K during the quarterly period ended December 31, 1994

Date of Report	Items Reported	Financial Statements Filed
October 18, 1994	5, 7	None
November 17, 1994	5, 7	None
December 20, 1994	5, 7	None

(c) Exhibits Required by Item 601 of Regulation S-K

See Item (3) above

(d) Financial Statement Schedule

Schedule V - Valuation and Qualifying Accounts and Allowances

Copies of Form 10-K (which includes Exhibit 24.0), Exhibits 11.0, 13.0, 21.0, 23.0, 23.1 and the Annual Report to Shareholders are available to stockholders of the Company without charge. Copies of other Exhibits can be obtained by stockholders of the Company upon payment of ten cents per page for such Exhibits. Written requests should be sent to Secretary, Mattel, Inc., 333 Continental Boulevard, El Segundo, California 90245-5012.

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* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MATTEL, INC.
Registrant

By: /s/ Gary P. Rolfes

GARY P. ROLFES
Senior Vice President and
Controller

Date: As of March 22, 1995

POWER OF ATTORNEY

We, the undersigned directors and officers of Mattel, Inc. do hereby severally constitute and appoint John W. Amerman, Ned Mansour, Leland P. Smith and John L. Vogelstein, and each of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or any of them, may deem necessary or advisable to enable said Corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically, but without limitation, power and authority to sign for us or any of us, in our names in the capacities indicated below, any and all amendments hereto; and we do each hereby ratify and confirm all that said attorneys and agents, or any one of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John W. Amerman JOHN W. AMERMAN	Chairman of the Board and Chief Executive Officer	March 22, 1995
/s/ Francesca Luzuriaga FRANCESCA LUZURIAGA	Executive Vice President, Finance (principal financial officer)	March 22, 1995
/s/ Jill E. Barad JILL E. BARAD	Director, President and Chief Operating Officer	March 22, 1995

Signature	Title	Date
/s/ Harold Brown HAROLD BROWN	Director	March 22, 1995
/s/ James A. Eskridge JAMES A. ESKRIDGE	Director and President, Fisher-Price, Inc.	March 22, 1995
/s/ Tully M. Friedman TULLY M. FRIEDMAN	Director	March 22, 1995
/s/ Ronald M. Loeb RONALD M. LOEB	Director	March 22, 1995
/s/ Edward H. Malone EDWARD H. MALONE	Director	March 22, 1995
/s/ Edward N. Ney EDWARD N. NEY	Director	March 22, 1995
/s/ William D. Rollnick WILLIAM D. ROLLNICK	Director	March 22, 1995
/s/ John L. Vogelstein JOHN L. VOGELSTEIN	Director	March 22, 1995
/s/ Lindsey F. Williams LINDSEY F. WILLIAMS	Director and President, Mattel International	March 22, 1995

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Mattel, Inc.

Our audits of the consolidated financial statements referred to in our report dated February 6, 1995 appearing on page 51 of the December 31, 1994 Annual Report to Shareholders of Mattel, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) and the report of other auditors also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, based on our audits and the report of other auditors, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICE WATERHOUSE LLP

Los Angeles, California
February 6, 1995

MATTEL, INC. AND SUBSIDIARIES SCHEDULE V

VALUATION AND QUALIFYING ACCOUNTS AND ALLOWANCES

(In thousands)

	Balance at Beginning of Year	Additions Charged to Operations	Net Deductions	Balance at End of Year
Allowance for Doubtful Accounts				
Year Ended December 31, 1994	$ 21,024	$ 7,282	$ (12,206)(a)	$ 16,100
Year Ended December 31, 1993	35,115	4,169	(18,260)(a)	21,024
Year Ended December 31, 1992	31,545	21,686	(18,116)(a)	35,115
Allowance for Inventory Obsolescence				
Year Ended December 31, 1994	$ 19,432	$ 37,039	$ (27,935)(b)	$ 28,536
Year Ended December 31, 1993	16,109	32,084	(28,761)(b)	19,432
Year Ended December 31, 1992	18,820	26,882	(29,593)(b)	16,109

(a) Includes write-offs, recoveries of previous write-offs, and currency translation adjustments.

(b) Includes writedowns and currency translation adjustments.

MATTEL, INC. AND SUBSIDIARIES

COMPUTATION OF INCOME PER COMMON AND COMMON EQUIVALENT SHARE

(In thousands, except per share amounts)

PRIMARY	FOR THE YEAR ENDED (a)(b) Dec. 31, 1994	Dec. 31, 1993	Dec. 31, 1992	Dec. 31, 1991	Dec. 29, 1990
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	$255,832	$135,911	$184,841	$134,038	$ 95,582
Add: Interest savings, net of tax, applicable to assumed exercise of Fisher-Price warrants	-	637	1,138	594	-
Deduct: Dividends on convertible preference stock	(4,689)	(4,894)	(4,826)	(4,830)	(4,811)
Dividends on senior preferred stock	-	-	(152)	(605)	(605)
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles for Computation of Income Per Share	251,143	131,654	181,001	129,197	90,166
Extraordinary item	-	(14,681)	-	(5,236)	-
Cumulative effect of changes in accounting principles	-	(4,022)	-	-	-
Net Income Applicable to Common Shares	$251,143	$112,951	$181,001	$123,961	$ 90,166
Applicable Shares					
Weighted average common shares outstanding	220,457	210,285	211,253	179,210	144,852
Weighted average common equivalent shares arising from:					
Stock options	2,472	2,348	2,898	2,429	3,772
Fisher-Price warrants	819	1,345	2,606	1,402	-
Restricted stock	191	-	-	-	-
Common stock warrants - $6.25 Series	-	-	-	509	2,019
Weighted average number of common and common equivalent shares	223,939	213,978	216,757	183,550	150,643
Income Per Share Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	$ 1.12	$ 0.62	$ 0.84	$ 0.71	$ 0.60
Extraordinary item	-	(0.07)	-	(0.03)	-
Cumulative effect of changes in accounting principles	-	(0.02)	-	-	-
Net Income Per Common Share	$ 1.12	$ 0.53	$ 0.84	$ 0.68	$ 0.60

(a) Consolidated financial information for 1993, 1992 and 1991 has been restated retroactively for the effects of the November 1993 merger, accounted for as a pooling of interests, with Fisher-Price. The results of operations and financial position of Fisher-Price are excluded from periods prior to July 1, 1991, while its business was operated as a division of The Quaker Oats Company.

(b) Per share data reflect the retroactive effect of stock splits distributed to shareholders in January 1995 and 1994, June 1992 and November 1991 and the mergers with Fisher-Price and IGI in 1993 and 1992, respectively.

COMPUTATION OF INCOME PER COMMON AND COMMON EQUIVALENT SHARE

(In thousands, except per share amounts)

FULLY DILUTED	FOR THE YEAR ENDED (a)(b) Dec. 31, 1994	Dec. 31, 1993	Dec. 31, 1992	Dec. 31, 1991	Dec. 29, 1990
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	$255,832	$135,911	$184,841	$134,038	$ 95,582
Add: Interest savings, net of tax, applicable to:					
Assumed conversion of 8% convertible debentures	628	5,338	5,467	3,907	-
Assumed exercise of Fisher-Price warrants	-	637	1,138	594	-
Deduct: Dividends on senior preferred stock	-	-	(152)	(605)	(605)
Impact of required ESOP dividends or contributions upon conversion	(3,598)	(4,894)	(4,826)	(4,830)	(4,811)
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles for Computation of Income Per Share	252,862	136,992	186,468	133,104	90,166
Extraordinary item	-	(14,681)	-	(5,236)	-
Cumulative effect of changes in accounting principles	-	(4,022)	-	-	-
Net Income Applicable to Common Shares	$252,862	$118,289	$186,468	$127,868	$ 90,166
Applicable Shares					
Weighted average common shares outstanding	220,457	210,454	211,378	179,277	144,852
Weighted average common equivalent shares arising from:					
Stock options	2,488	2,780	3,322	3,610	3,772
Assumed conversion of convertible preference stock	1,683	2,025	2,025	2,025	2,025
Assumed conversion of 8% convertible debentures	1,295	9,458	9,741	7,457	-
Fisher-Price warrants	819	1,345	2,606	1,402	-
Restricted stock	264	-	-	-	-
Common stock warrants - $6.25 Series	-	-	-	713	2,019
Weighted average number of common and common equivalent shares	227,006	226,062	229,072	194,484	152,668
Income Per Share Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	$ 1.11	$ 0.60	$ 0.81	$ 0.69	$ 0.59
Extraordinary item	-	(0.06)	-	(0.03)	-
Cumulative effect of changes in accounting principles	-	(0.02)	-	-	-
Net Income Per Common Share	$ 1.11	$ 0.52	$ 0.81	$ 0.66	$ 0.59

(a) Consolidated financial information for 1993, 1992 and 1991 has been restated retroactively for the effects of the November 1993 merger, accounted for as a pooling of interests, with Fisher-Price. The results of operations and financial position of Fisher-Price are excluded from periods prior to July 1, 1991, while its business was operated as a division of The Quaker Oats Company.

(b) Per share data reflect the retroactive effect of stock splits distributed to shareholders in January 1995 and 1994, June 1992 and November 1991 and the mergers with Fisher-Price and IGI in 1993 and 1992, respectively.

Exhibit 13.0

CONTENTS

Mattel, Inc. and Subsidiaries

FINANCIAL INFORMATION

CORPORATE INFORMATION

FIVE-YEAR FINANCIAL SUMMARY

Mattel, Inc. and Subsidiaries

(In thousands, except per share and percentage information)	For the Year (a)(b) 1994	1993	1992	1991	1990
Operating Results:					
Net sales	$3,205,025	$2,704,448	$2,563,525	$2,046,489	$1,497,312
Gross profit	1,601,503	1,326,267	1,239,308	973,402	716,153
% of net sales	50%	49%	48%	48%	48%
Operating profit before restructuring and integration charges (c)	521,081	414,260	351,661	278,660	193,411
% of net sales	16%	15%	14%	14%	13%
Restructuring and integration charges (d)	72,000	115,000	-	-	-
Income before income taxes, extraordinary item and cumulative effect of changes in accounting principles	393,632	236,646	282,945	214,326	143,482
Provision for income taxes	137,800	100,735	98,104	80,288	47,900
Income before extraordinary item and cumulative effect of changes in accounting principles	255,832	135,911	184,841	134,038	95,582
Extraordinary item - loss on debt retirement	-	(14,681)	-	(5,236)	-
Cumulative effect of changes in accounting principles	-	(4,022)	-	-	-
Net income	255,832	117,208	184,841	128,802	95,582
Income Per Common Share (e):					
Income before extraordinary item and cumulative effect of changes in accounting principles					
Primary	1.12	0.62	0.84	0.71	0.60
Fully diluted	1.11	0.60	0.81	0.69	0.59
Net income					
Primary	1.12	0.53	0.84	0.68	0.60
Fully diluted	1.11	0.52	0.81	0.66	0.59
Dividends declared per common share (e)	0.19	0.15	0.12	0.07	0.03

(In thousands)	As of Year End (a)(b) 1994	1993	1992	1991	1990
Financial Position:					
Cash and marketable securities	$ 259,681	$ 523,581	$ 327,807	$ 290,750	$ 204,349
Accounts receivable, net	762,024	580,313	538,444	467,266	266,424
Inventories	339,143	219,993	238,895	225,411	152,134
Total assets	2,459,026	2,000,077	1,712,675	1,564,832	968,688
Notes payable	-	-	13,401	29,733	1,000
Long-term liabilities	457,455	398,939	434,930	353,575	229,070
Shareholders' equity	1,085,690	817,809	748,356	664,254	336,586

(a) Consolidated financial information for 1993, 1992 and 1991 has been restated retroactively for the effects of the November 1993 merger, accounted for as a pooling of interests, with Fisher-Price. The results of operations and financial position of Fisher-Price are excluded from periods prior to July 1, 1991, when its business was operated as a division of The Quaker Oats Company (Note 7).

(b) The Company's financial reporting year ended on December 31 for years 1991 through 1994 and on the last Saturday of December for 1990.

(c) Represents income from operations before restructuring charges, interest expense and provision for income taxes.

(d) In 1994, amount represents a nonrecurring charge principally related to the consolidation of manufacturing operations and the reduction of headquarters expense and support functions worldwide. In 1993, the nonrecurring charge represents transaction, integration and restructuring costs related to the merger with Fisher-Price.

(e) Per share data reflect the retroactive effect of stock splits distributed to shareholders in January 1995 and 1994, June 1992 and November 1991 and the mergers with Fisher-Price and IGI in 1993 and 1992, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Mattel, Inc. and Subsidiaries

This analysis should be read in conjunction with the consolidated financial statements which begin on page 32.

Mattel's financial performance reflects the Company's solid growth in 1994, demonstrating continued strength in its core brands, as well as incremental volume provided through expansion of its international marketing and distribution network and increased manufacturing efficiency. The Company's long-term business strategies have resulted in another record year for sales and earnings, with net sales for 1994 of $3.2 billion and net income for 1994 of $255.8 million. Mattel's merger with Fisher-Price, Inc. ("Fisher-Price") completed in the fourth quarter of 1993, and the recent acquisitions of the Kransco business and J.W. Spear & Sons PLC ("Spear"), completed in the second and third quarters of 1994, respectively, should continue to enhance the Company's position as a worldwide leader in the manufacturing and marketing of children's toys.

Core brands, which historically have provided the Company with relatively stable growth, include BARBIE doll products, FISHER-PRICE toys and juvenile products, Disney-licensed toys, HOT WHEELS vehicles and playsets, large dolls, preschool toys including SEE 'N' SAY toys, and the UNO and SKIP-BO card games. The Company's acquisitions of Kransco and Spear have provided Mattel with additional core consumer franchises represented by the POWER WHEELS line of battery-powered, ride-on vehicles and the rights to the SCRABBLE game in markets outside of the United States and Canada.

RESULTS OF OPERATIONS

The following is a percentage analysis of operating results for the past three years:

	For the Year 1994	1993	1992
Net sales	100%	100%	100%
Gross profit	50	49	48
Advertising and promotion expenses	16	16	16
Other selling and administrative expenses	17	18	18
Restructuring and integration charges	2	4	-
Other expense, net	1	-	-
Operating profit	14	11	14
Interest expense	2	2	3
Income before income taxes, extraordinary item and changes in accounting principles	12%	9%	11%

1994 COMPARED TO 1993

Net sales increased $500.6 million or 19% over 1993, reflecting strong growth in worldwide sales of core products, as well as POLLY POCKET toys, Nickelodeon-licensed toys, and MIGHTY MAX action figures. Added volume was also generated by the acquisitions of Kransco and Spear, which contributed $178.7 million in the aggregate to net sales during 1994. Excluding the Kransco and Spear acquisitions, the Company's worldwide net sales increased $321.9 million or 12%.

Worldwide sales of core products represented 84% of total revenues in 1994 compared to 86% for the prior year, largely as a result of strong non-core product sales. Core brand sales increased 16% over the prior year, with gross sales of BARBIE and BARBIE-related products exceeding $1.1 billion in volume. Sales of Disney-licensed products, led by toys connected with "The Lion King" motion picture, increased by 33% to $441.9 million. Fisher-Price contributed $828.2 million to gross sales in 1994 compared to $747.9 million in 1993, and HOT WHEELS brand sales grew by 18% over 1993 volumes. These increases were partially offset by a continuing decline in sales in the large doll segment, which were 27% below the prior year volume.

Sales to customers in the United States were 59% of 1994 consolidated revenues compared to 60% in the prior year. In total, domestic sales increased 17%, partially attributable to incremental volume generated from the acquisition of Kransco, which represented 6% of the Company's domestic sales for 1994. Total international sales increased 20% compared to 1993, including the $24.0 million favorable effect of the weakening of the U.S. dollar relative to last year. At constant foreign currency exchange rates, sales outside the United States grew 19%.

Gross profit as a percentage of net sales increased one percentage point to 50%, primarily due to higher sales volume, improved product mix and synergies realized as a result of the integration of Fisher-Price. Advertising and promotion expenses increased slightly as a percentage of net sales; however, spending increased $89.8 million in support of the growth in sales volume, new product introductions, further development of markets internationally and the acquisitions of Kransco and Spear, which contributed $16.3 million to the advertising growth. As a percentage of net sales, other selling and administrative expenses decreased from 18% to 17%, reflecting the Company's ongoing efforts to manage expense growth relative to revenue growth. In total, selling and administrative expenses increased by $63.0 million mainly due to the acquisitions of Kransco and Spear, which contributed $22.1 million to the increase. Other expense, net, increased $15.6 million, primarily due to the effect of the Mexican peso devaluation in the fourth quarter and higher goodwill amortization arising from the Kransco and Spear acquisitions in 1994, partially offset by higher 1993 charges related to losses on sales of fixed assets.

Interest expense decreased $7.2 million over the prior year as a result of the prepayment of Fisher-Price's 10.69% term loan, and interest savings generated by the conversion of the 8% Debentures to common stock during the 1994 first quarter, partially offset by increased seasonal borrowings to finance the acquisitions of Kransco and Spear.

In the 1994 fourth quarter, the Company recognized a $72.0 million pre-tax charge against continuing operations in connection with the consolidation of manufacturing operations and the reduction of headquarters expense and support functions worldwide. After related tax effects, the net $46.8 million charge impacted 1994 earnings by $0.21 per share on a fully diluted basis. In the 1993 fourth quarter, the Company reported a $115.0 million pre-tax charge against continuing operations in connection with its merger with Fisher-Price. After related tax effects, the net $90.4 million charge impacted 1993 earnings by $0.40 per share on a fully diluted basis.

The restructuring charges in 1994 included approximately $36 million related to severance costs from elimination of approximately 1,000 positions, $15 million of restricted stock awards that related to the Fisher-Price integration, $14 million for termination of various distribution and lease agreements, $4 million for the writedown of fixed assets to their net realizable value in connection with the elimination of excess manufacturing capacity, and other costs of $3 million.

Although no assurance can be given, the Company anticipates the restructuring will provide pre-tax cost savings of approximately $25 million during 1995, principally as a result of creating efficiencies and eliminating redundancies. Available cash reserves and cash flow generated from normal business operations will fund the costs of the restructuring, with no adverse impact expected on the Company's future liquidity, revenues or financial position. It is anticipated that substantially all amounts related to the restructuring will be expended during 1995.

As of December 31, 1994, the integration and restructuring activity provided for by the 1993 charge was substantially complete and amounts previously accrued had been paid. The cost savings realized by the Company as a result of the consolidation of facilities and related staff reductions were comparable to the anticipated $45 million, and the type and amount of charges actually incurred approximated the amounts included in the provision.

The 1993 fourth quarter included an extraordinary net-of-tax charge of $14.7 million resulting from prepayment of Fisher-Price's 10.69% term loan.

1993 COMPARED TO 1992

Net sales increased $140.9 million or 5% over 1992. In addition to growth in core product sales, incremental volume was contributed by sales of Nickelodeon-licensed toys and new product introductions such as BABY WALK 'N ROLL, MIGHTY MAX, SALLY SECRETS and the Company's line of McDonald's activity toys. The growth in worldwide net sales includes unfavorable foreign currency impacts of $104.1 million and a $57.5 million decrease in Nintendo volume as a result of terminations of the Company's distributorship agreements for Nintendo products in Australia in the 1993 fourth quarter and in Canada and Italy during the first and third quarters of 1992, respectively.

Worldwide sales of core products represented 86% of total revenues for both 1993 and 1992. In total, core brand sales increased 6% over the prior year, with sales of BARBIE products exceeding $1.0 billion in volume. Fisher-Price sales totaled $747.9 million in 1993 compared to $725.0 million in 1992. Die-cast sales increased 24% and Disney-licensed product sales were 19% higher than year-ago levels. These increases were partially offset by a continuing decline in the large doll segment, which was 29% below the prior year. Domestic sales grew 7%, and represented 60% of worldwide gross revenues in 1993 compared to 59% in the prior year. Sales internationally increased 4%, reflecting the unfavorable impacts of foreign currency translation and the terminations of the distributorship agreements for Nintendo products. At constant rates of exchange, international revenues increased 15% over the prior year. Excluding Nintendo, international sales grew 10% over 1992, or by 21% at constant rates of exchange.

As a percentage of net sales, gross profit increased one percentage point due to higher sales volume and an improved product mix. Advertising and promotion expenses, while constant as a percentage of net sales, increased $23.3 million over 1992 levels in support of increased sales of core brands and new product introductions. The Company's expansion of its marketing operations and manufacturing facilities resulted in a net increase in other selling and administrative expenses of $2.2 million as compared to the prior year, which included the effect of a $15.0 million pre-tax charge to the provision for doubtful accounts related to the bankruptcy of Child World and deteriorating financial condition of Lionel Leisure. Other expense, net, decreased slightly, principally as a result of gains on foreign currency transactions which were partially offset by amortization of goodwill and losses on routine dispositions of fixed assets.

Interest expense decreased $6.1 million or 9%, reflecting a general decline in interest rates and lower levels of short-term bank borrowing, partially offset by interest on the 6-7/8% Senior Notes issued in August 1992 and the 6-3/4% Senior Notes issued in May 1993.

In the 1993 fourth quarter, the Company recognized a $115.0 million pre-tax charge against continuing operations in connection with its merger with Fisher-Price. Of the total, approximately $17 million represented transaction costs of the merger, including investment banking, legal, accounting and related costs, and $30 million was related to the severance of key Fisher-Price executives. Following the merger, the Company commenced restructuring and integrating certain of the domestic and international business operations of the entities. Of the estimated integration and restructuring costs of $68 million, approximately $13 million represented writedowns of fixed assets in connection with the elimination of duplicative administration and plant facilities. The remainder represented expenditures related to the combination of the entities' worldwide business operations, including staff reductions and outplacement expenses, costs of terminating contracts with lessors and distributors and fees paid to consultants in connection with the integration and restructuring process. After related tax effects, the net $90.4 million charge impacted 1993 earnings by $0.40 per share on a fully diluted basis.

Following the merger, the Company negotiated an agreement with the lenders to permit prepayment of Fisher-Price's 10.69% term loan. The prepayment resulted in an extraordinary net-of-tax charge in the 1993 fourth quarter of $14.7 million, or $0.06 per fully diluted share, for the prepayment premium and write-off of unamortized issuance costs.

INCOME TAXES

The effective income tax rates for 1994 and 1993 were 35.0% and 42.6%, respectively. The decrease in the effective rate for 1994 resulted from a reduction in nondeductible restructuring costs, increased taxable income earned in locations with relatively lower tax rates, and an increase in the U.S. tax benefit of foreign tax credits associated with dividends from subsidiaries located in higher tax rate countries.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, which replaced Statement No. 96. Upon adoption, a deferred income tax asset of $69.0 million was recorded, of which $16.0 million related to postquasi-reorganization net operating losses carried forward, and $53.0 million related principally to future tax deductions, and foreign tax credit and alternative minimum tax credit carryovers resulting from activities prior to the quasi-reorganization. The benefit of $16.0 million (or $0.07 per fully diluted share in the 1993 first quarter) was recognized in after-tax earnings as the cumulative effect of a change in accounting principle. The remaining $53.0 million was credited to additional paid-in capital in accordance with the required accounting treatment for transactions resulting from activities prior to the quasi-reorganization.

FINANCIAL POSITION

The Company's financial position remained strong in 1994 as a result of its profitable operating results. At December 31, 1994, the Company's cash position, including marketable securities, was $259.7 million, compared to $523.6 million as of the prior year. The decrease was primarily due to the acquisitions of Kransco and Spear, and the prepayment of Fisher-Price's long-term debt in January 1994, partially offset by the issuance of $110.5 million of Medium-Term Notes in the 1994 fourth quarter and cash generated from increased sales activity. The Company's working capital remained strong at $627.6 million.

Accounts receivable increased $181.7 million over the prior year level, reflecting increases in fourth quarter sales volume, as well as the addition of Kransco and Spear receivables totaling $76.8 million. Inventories increased 54% compared to the prior year, which includes a combined $26.2 million increase as a result of the Kransco and Spear acquisitions, as well as new affiliates and the Company's production in support of future sales volume.

Intangible assets increased by $292.9 million, primarily as a result of the goodwill of $221.0 million and $94.8 million generated from the acquisitions of Kransco and Spear, respectively, net of amortization.

The Company's capitalization is as follows:

	As of Year End			
(In millions)	1994		1993	
6-7/8% Senior notes	$ 99.6	7%	$ 99.5	8%
6-3/4% Senior notes	100.0	7	100.0	8
Medium-Term notes	110.5	7	-	-
8% Convertible subordinated debentures	-	-	74.0	6
Other long-term debt obligations	64.9	4	54.6	5

Total long-term debt	375.0	25	328.1	27
Other long-term liabilities	82.5	5	70.8	6
Shareholders' equity	1,085.7	70	817.8	67
	$1,543.2	100%	$1,216.7	100%

Total long-term debt increased $46.9 million due to the issuance of Medium-Term Notes, partially offset by voluntary conversion of the 8% Debentures into common stock by holders of the debt. However, long-term debt decreased as a percentage of total capitalization. Shareholders' equity increased $267.9 million over 1993, reflecting profitable operating results for the current year, $73.4 million related to conversions of the 8% Debentures into common shares, and $78.1 million for activity related to employee stock compensation plans. These increases were partially offset by treasury stock purchases of $80.9 million and dividend declarations on common and preference stock totaling $50.3 million.

LIQUIDITY

The primary sources of liquidity for the Company over the last three years have been cash flows generated from operations, long-term debt issuances and short-term seasonal borrowings. Operating activities generated cash flows of $343.4 million during 1994, compared to $303.3 million and $131.6 million in 1993 and 1992, respectively.

Principal investing activities during 1994 included expenditures for the Company's acquisitions of Kransco and Spear. Investing in 1994 and 1993 also included additions of tooling, property and equipment at various manufacturing and office facilities. In addition to fixed asset purchases to replenish manufacturing and distribution facilities, investing activities during 1992 included the construction and start-up of a new manufacturing plant in Indonesia and the $16.0 million payment of final purchase consideration related to the Company's 1991 acquisition of Aviva Sport, Inc.

Financing activities provided intermediate- and long-term funds through the issuance of Medium-Term Notes in 1994, the 6-3/4% Senior Notes in 1993 and the 6-7/8% Senior Notes in 1992, which were utilized by the Company to retire higher-cost debt and for general corporate purposes. In 1994, the Company retired Fisher-Price's 10.69% term loan. Cash outlays for treasury stock were made over the three-year period primarily to purchase shares for issuance under the Company's employee stock option plans and for potential conversions of convertible securities. The Company has consistently increased cash payments for common dividends over the three-year period as a result of stock splits distributed to common shareholders.

SHORT-TERM FINANCING

The Company's seasonal cash flow requirements for the coming year are expected to be met by cash on hand as of December 31, 1994, cash generated by 1995 operations, and short-term credit lines provided by domestic and foreign banks. Under the Company's domestic credit line, unsecured facilities provide a total of $650.0 million in seasonal financing from a commercial bank group. The facilities provide for up to $400.0 million in advances and backup for commercial paper issuances (a three-year facility), and up to an additional $250.0 million (a three-year facility) for nonrecourse purchases of certain trade accounts receivable by the bank group. In connection with the domestic credit line, the Company is to comply with certain financial covenants for consolidated debt-to-capital, interest coverage and tangible net worth levels.

In addition, the Company expects to have available approximately $285 million of individual short-term international credit lines with a number of banks, which customarily are extended as needed to meet seasonal working capital requirements of certain foreign affiliates.

ACQUISITIONS

On May 31, 1994, the Company acquired substantially all of the business assets and assumed the associated debts and liabilities of Kransco, a San Francisco-based designer, manufacturer and marketer of brand name recreational and sporting products, including POWER WHEELS battery-powered, ride-on vehicles; HULA HOOP and FRISBEE products marketed under the WHAM-O trademark; STREET JAM sporting goods; and MOREY BOOGIE bodyboards. The purchase price included net cash consideration of $254.6 million, including costs directly related to the acquisition. In addition, the Company repaid $20.0 million of Kransco's short-term borrowings concurrent with consummation of the asset purchase transaction. The asset purchase agreement also provides for future contingent consideration in the event that net sales of the POWER WHEELS product line reaches or exceeds certain levels in each of calendar years 1994, 1995 and 1996. The contingent consideration payable with respect to any year shall not exceed $8.6 million. As of December 31, 1994, $8.6 million of contingent consideration was payable, and as a result the goodwill initially recorded was increased.

The acquisition has been accounted for under the purchase method of accounting and, accordingly, the operating results of Kransco have been included in the Company's consolidated financial statements since the date of acquisition. The excess of the aggregate purchase price over the estimated fair market value of the net assets acquired was approximately $221 million, which is being amortized on a straight-line basis over 20 years.

In July 1994, the Company acquired a majority of the shares of Spear, a company organized in the United Kingdom, that holds the rights to SCRABBLE in markets outside of the United States and Canada, and certain other games worldwide. Under the terms of the Company's offer, shareholders had the option to receive the purchase consideration of 11.5 pounds sterling per issued share in either cash, interest-bearing notes or in a combination of cash and notes. As of December 31, 1994, holders of 5.1 million shares of Spear had elected the cash option, receiving approximately 58 million pounds sterling, and holders of 0.3 million shares had elected to receive notes. The aggregate purchase price, including investment advisor and other directly related expenses, denominated in pounds sterling, was approximately $100 million. The acquisition has been accounted for by the purchase method and, accordingly, the results of operations of Spear have been included in the Company's consolidated financial statements since the date of acquisition. The excess of cost over the estimated fair market value of tangible net assets acquired was approximately $95 million, which is being amortized on a straight-line basis over 20 years.

On November 30, 1993, a merger was consummated between the Company and Fisher-Price, one of the world's largest manufacturers and marketers of infant and preschool toys and juvenile products. The stock-for-stock transaction was approved by the shareholders of both companies, after which Fisher-Price became a wholly-owned subsidiary of the Company. The merger agreement provided for the exchange of 1.275 shares of Mattel common stock for each outstanding Fisher-Price common share, and resulted in the issuance of 39.1 million shares, before stock splits (61.1 million shares after stock splits), valued, on the merger's effective date, at $1.19 billion. This transaction was accounted for as a pooling of interests, and accordingly, financial information for periods prior to the merger reflect retroactive restatement for the companies' combined financial position and operating results. Prior to July 1, 1991, the business of Fisher-Price was operated as a division of The Quaker Oats Company, and therefore, any such financial data are excluded from the Company's combined consolidated results presented herein.

In 1992, the Company concluded its merger with International Games, Inc. ("IGI"), a creator, manufacturer and marketer of proprietary family and educational card and board games, including UNO and SKIP-BO. The merger, accounted for as a pooling of interests, was effected by exchanging all of IGI's outstanding voting preferred and common stock for 2.0 million shares of Mattel common stock and 0.9 million shares of Mattel 12.5% Convertible Preference Stock, Series F, representing a combined value of $58.5 million.

LITIGATION
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The Company is involved in various litigation and other legal matters, including claims related to product liability and environmental cleanup, which are being addressed or defended in the ordinary course of business. Management believes that any liability which may potentially result upon resolution of such matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

COMMITMENTS
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In the normal course of business, the Company enters into contractual arrangements for future purchases of goods and services to ensure availability and timely delivery, and to obtain and protect the Company's right to create and market certain toys. Such arrangements include commitments for future inventory purchases and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guaranteed or minimum expenditures during the terms of the contracts.

As of December 31, 1994, the Company had outstanding commitments for 1995 purchases of inventory of approximately $103 million. Licensing and similar agreements with terms extending through the year 2002 contain provisions for future guaranteed minimum payments aggregating approximately $304 million.

FOREIGN CURRENCY CONTRACTS
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The Company enters into foreign currency forward exchange contracts and swap agreements primarily as hedges of inventory purchases, sales and other intercompany transactions denominated in foreign currencies to limit the effect of exchange rate fluctuations on the Company's results of operations and cash flows. As of December 31, 1994 and 1993, the Company and its foreign affiliates had outstanding forward exchange contracts totaling $322.7 million and $343.2 million, respectively, and swap agreements totaling $189.9 million and $132.1 million, respectively.

Market risk exposures exist with respect to foreign currency forward exchange contracts to the extent that currency fluctuations cannot be predicted with certainty. The Company seeks to mitigate its exposure to market risk through forecasting its future foreign currency positions and hedge requirements, retaining flexibility with respect to currencies used for international borrowing arrangements and intercompany invoicing, and varying the degree of coverage of individual foreign currency exposures, which may alternatively be left open, partially or fully hedged. By policy, the Company maintains hedge coverages between minimum and maximum percentages of its anticipated foreign currency exposures for any given year.

In order to minimize the risk of counterparty non-performance, the Company executes its foreign currency forward exchange contracts and swap agreements with financial institutions believed to be credit-worthy, generally those that provide the Company with its working capital lines of credit. The Company does not trade in financial instruments nor does it enter into contracts for speculative purposes.

EFFECTS OF INFLATION
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Inflation rates in the United States and in major foreign countries in which the Company operates have not had a significant impact on the Company's operating results for the three years ended December 31, 1994. The impact of inflation on the Company is minimized as a result of rapid turnover of inventories. The U.S. Consumer Price Index increased 2.7% in 1994, 2.7% in 1993 and 2.9% in 1992.

CONSOLIDATED BALANCE SHEETS

Mattel, Inc. and Subsidiaries

(In thousands)	December 31, 1994	December 31, 1993
ASSETS		
Current Assets		
Cash	$ 239,100	$ 506,113
Marketable securities	20,581	17,468
Accounts receivable, less allowances of $16,100 at December 31, 1994 and $21,024 at December 31, 1993	762,024	580,313
Inventories	339,143	219,993
Prepaid expenses and other current assets	182,675	146,863
Total current assets	1,543,523	1,470,750
Property, Plant and Equipment		
Land	22,577	15,664
Buildings	172,310	146,622
Machinery and equipment	289,796	240,449
Capitalized leases	38,468	38,209
Leasehold improvements	46,512	41,948
	569,663	482,892
Less: accumulated depreciation	248,666	229,130
	320,997	253,762
Tools, dies and molds, net	94,924	73,115
Property, plant and equipment, net	415,921	326,877
Other Noncurrent Assets		
Intangible assets, net	432,232	139,277
Sundry assets	67,350	63,173
	$2,459,026	$2,000,077

The accompanying notes are an integral part of these statements.

(In thousands, except share data)	December 31, 1994	December 31, 1993
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term liabilities	$ 3,095	$ 104,862
Accounts payable	295,246	175,424
Accrued liabilities	453,146	397,800
Income taxes payable	164,394	105,243
Total current liabilities	915,881	783,329
Long-Term Liabilities		
6-7/8% Senior notes	99,604	99,470
6-3/4% Senior notes	100,000	100,000
Medium-Term notes	110,500	-
Mortgage note	45,000	45,000
8% Convertible subordinated debentures	-	73,953
Other	102,351	80,516
Total long-term liabilities	457,455	398,939
Shareholders' Equity		
Preference stock	9	9
Common stock $1.00 par value, 300.0 million shares authorized; 223.3 million shares issued with 220.9 million shares outstanding for 1994 and 215.6 million shares issued with 212.3 million shares outstanding for 1993 (a)	223,264	172,470
Additional paid-in capital	234,913	226,528
Treasury stock at cost; 2.4 million shares for 1994 and 3.3 million shares for 1993 (a)	(53,812)	(47,350)
Retained earnings (b)	737,528	532,003
ESOP note receivable	-	(3,500)
Deferred compensation	-	(13,003)
Currency translation adjustments (b)	(56,212)	(49,348)
Total shareholders' equity	1,085,690	817,809
	$2,459,026	$2,000,077

Commitments and Contingencies (See accompanying notes.)

(a) Share data for 1993 have been restated for the effects of the five-for-four stock split declared in December 1994.
(b) Since December 26, 1987 (Note 1).

CONSOLIDATED STATEMENTS OF INCOME

Mattel, Inc. and Subsidiaries

(In thousands, except per share amounts)	1994	1993	1992
	For the Year		
Net Sales	$3,205,025	$2,704,448	$2,563,525
Cost of sales	1,603,522	1,378,181	1,324,217
Gross Profit	1,601,503	1,326,267	1,239,308
Advertising and promotion expenses	516,485	426,698	403,417
Other selling and administrative expenses	536,443	473,394	471,146
Restructuring and integration charges	72,000	115,000	-
Interest expense	55,449	62,614	68,716
Other expense, net	27,494	11,915	13,084
Income Before Income Taxes, Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	393,632	236,646	282,945
Provision for income taxes	137,800	100,735	98,104
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	255,832	135,911	184,841
Extraordinary item - loss on early retirement of debt	-	(14,681)	-
Income Before Cumulative Effect of Changes in Accounting Principles	255,832	121,230	184,841
Cumulative effect of changes in accounting principles	-	(4,022)	-
Net Income	255,832	117,208	184,841
Preferred and preference stock dividend requirements	4,689	4,894	4,978
Net Income Applicable to Common Shares	$ 251,143	$ 112,314	$ 179,863
Income Per Common and Common Equivalent Share:			
Primary Income Per Share			
Income before extraordinary item and cumulative effect of changes in accounting principles	$ 1.12	$ 0.62	$ 0.84
Extraordinary item - loss on early retirement of debt	-	(0.07)	-
Cumulative effect of changes in accounting principles	-	(0.02)	-
Net income	$ 1.12	$ 0.53	$ 0.84
Average number of common and common equivalent shares	223,939	213,978	216,757
Fully Diluted Income Per Share			
Income before extraordinary item and cumulative effect of changes in accounting principles	$ 1.11	$ 0.60	$ 0.81
Extraordinary item - loss on early retirement of debt	-	(0.06)	-
Cumulative effect of changes in accounting principles	-	(0.02)	-
Net income	$ 1.11	$ 0.52	$ 0.81
Average number of common and common equivalent shares	227,006	226,062	229,072
Dividends Declared Per Common Share	$ 0.19	$ 0.15	$ 0.12

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mattel, Inc. and Subsidiaries

(In thousands)	For the Year 1994	1993	1992
Cash Flows From Operating Activities:			
Net income	$ 255,832	$117,208	$184,841
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	124,272	91,970	87,825
Provision for deferred compensation	14,918	5,957	2,692
Loss on early retirement of debt, net of tax	-	14,681	-
Cumulative effect of changes in accounting principles, net of tax	-	4,022	-
Provision for lease termination, net	-	(41,120)	-
(Increase) in marketable securities	(3,113)	(3,354)	(5,391)
(Increase) in accounts receivable	(155,265)	(55,525)	(95,706)
(Increase) decrease in inventories	(74,148)	11,842	(24,781)
(Increase) decrease in prepaid expenses and other current assets	(38,626)	7,319	(20,460)
Increase in accounts payable, accrued liabilities and income taxes payable	215,403	161,818	10,068
Other, net	4,166	(11,474)	(7,459)
Net cash flows from operating activities	343,439	303,344	131,629
Cash Flows From Investing Activities:			
Purchases of tools, dies and molds	(75,285)	(60,809)	(53,611)
Purchases of other property, plant and equipment	(88,097)	(40,060)	(46,434)
Sales of other property, plant and equipment	12,221	12,459	2,183
Investments in acquired businesses	(374,965)	-	(17,740)
Other, net	(371)	(394)	(841)
Net cash flows used for investing activities	(526,497)	(88,804)	(116,443)
Cash Flows From Financing Activities:			
Notes payable, net	(5,966)	(14,135)	(5,367)
Issuance of 6-7/8% senior notes, net	-	-	99,294
Issuance of 6-3/4% senior notes	-	100,000	-
Issuance of Medium-Term notes	110,500	-	-
Long-term foreign borrowing	(4,337)	(31,262)	2,717
Redemption of Fisher-Price term loan	(120,629)	-	-
Collection of ESOP note receivable	3,500	4,920	4,920
Payment of ESOP notes payable	(3,500)	(4,920)	(4,920)
Redemption of senior preferred stock	-	-	(5,500)
Tax benefit of employee stock options exercised	23,923	4,431	12,360
Exercise of stock options and warrants	39,209	8,012	12,212
Purchase of treasury stock	(80,885)	(52,558)	(52,036)
Purchase of Fisher-Price warrants	-	-	(8,298)
Dividends paid on common stock	(43,151)	(25,582)	(19,083)
Dividends paid on preference stock	(4,689)	(4,894)	(4,826)
Payment for tendered Fisher-Price warrants	(4,891)	-	-
Other, net	4,863	(381)	(2,006)
Net cash flows (used for) from financing activities	(86,053)	(16,369)	29,467
Effect of Exchange Rate Changes on Cash	2,098	(5,751)	(12,987)
(Decrease) Increase in Cash	(267,013)	192,420	31,666
Cash at Beginning of Year	506,113	313,693	282,027
Cash at End of Year	$ 239,100	$506,113	$313,693

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mattel, Inc. and Subsidiaries

(In thousands)	Preferred & Preference Stock	Common Stock	Additional Paid-In Capital	Treasury Stock
Balance, December 31, 1991	$ 20	$ 89,634	$304,627	$ (14,938)
Net income				
Three-for-two stock split		47,971	(47,971)	
Purchase of treasury stock		(1,152)	(12,490)	(38,394)
Purchase of Fisher-Price warrants			(8,298)	
Restricted stock activity			3,977	
Amortization of deferred compensation				
Exercise of stock options and warrants		907	18,061	
Issuance of treasury stock			(4,990)	10,234
Dividends declared on common stock				
Dividends declared on preference stock				
Redemption of senior preferred stock	(11)		(5,489)	
Utilization of net operating loss carryforwards			300	
Collection of ESOP note receivable				
Currency translation adjustments				
Balance, December 31, 1992	9	137,360	247,727	(43,098)
Net income				
Five-for-four stock split		34,343	(34,781)	
Purchase of treasury stock				(52,558)
Conversion of 8% debentures			(9,540)	33,876
Restricted stock activity		688	13,308	
Amortization of deferred compensation				
Exercise of stock options		79	6,494	
Issuance of treasury stock			(8,560)	14,430
Dividends declared on common stock				
Dividends declared on preference stock				
Cumulative effect of change in accounting principle			53,000	
Termination of pre-quasi lease commitment			(41,120)	
Collection of ESOP note receivable				
Currency translation adjustments				
Balance, December 31, 1993	9	172,470	226,528	(47,350)
Net income				
Five-for-four stock split		44,653	(44,653)	
Purchase of treasury stock				(80,885)
Conversion of 8% debentures		5,897	67,549	
Restricted stock activity			1,915	
Exercise of stock options		244	26,496	
Issuance of treasury stock			(38,031)	74,423
Payment for tendered Fisher-Price warrants			(4,891)	
Dividends declared on common stock				
Dividends declared on preference stock				
Collection of ESOP note receivable				
Currency translation adjustments				
Balance, December 31, 1994	$ 9	$223,264	$234,913	$ (53,812)

The accompanying notes are an integral part of these statements.

(In thousands)	Retained Earnings	ESOP Note Receivable	Deferred Compensation	Currency Translation Adjustments	Total Shareholders' Equity
Balance, December 31, 1991	$ 290,367	$(13,340)	$ (4,725)	$ 12,609	$ 664,254
Net income	184,841				184,841
Three-for-two stock split					-
Purchase of treasury stock					(52,036)
Purchase of Fisher-Price warrants					(8,298)
Restricted stock activity			(3,617)		360
Amortization of deferred compensation			2,692		2,692
Exercise of stock options and warrants					18,968
Issuance of treasury stock					5,244
Dividends declared on common stock	(20,723)				(20,723)
Dividends declared on preference stock	(4,826)				(4,826)
Redemption of senior preferred stock	(1,059)				(6,559)

Utilization of net operating loss carryforwards					300
Collection of ESOP note receivable		4,920			4,920
Currency translation adjustments				(40,781)	(40,781)
Balance, December 31, 1992	448,600	(8,420)	(5,650)	(28,172)	748,356
Net income	117,208				117,208
Five-for-four stock split					(438)
Purchase of treasury stock					(52,558)
Conversion of 8% debentures					24,336
Restricted stock activity			(13,310)		686
Amortization of deferred compensation			5,957		5,957
Exercise of stock options					6,573
Issuance of treasury stock					5,870
Dividends declared on common stock	(28,911)				(28,911)
Dividends declared on preference stock	(4,894)				(4,894)
Cumulative effect of change in accounting principle					53,000
Termination of pre-quasi lease commitment					(41,120)
Collection of ESOP note receivable		4,920			4,920
Currency translation adjustments				(21,176)	(21,176)
Balance, December 31, 1993	532,003	(3,500)	(13,003)	(49,348)	817,809
Net income	255,832				255,832
Five-for-four stock split					-
Purchase of treasury stock					(80,885)
Conversion of 8% debentures					73,446
Restricted stock activity			13,003		14,918
Exercise of stock options					26,740
Issuance of treasury stock					36,392
Payment for tendered Fisher-Price warrants					(4,891)
Dividends declared on common stock	(45,618)				(45,618)
Dividends declared on preference stock	(4,689)				(4,689)
Collection of ESOP note receivable		3,500			3,500
Currency translation adjustments				(6,864)	(6,864)
Balance, December 31, 1994	$ 737,528	$ -	$ -	$(56,212)	$1,085,690

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mattel, Inc. and Subsidiaries

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Mattel, Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions are eliminated, and certain amounts in the financial statements for prior years have been reclassified to conform with the current year presentation. Financial data for all periods presented reflect the retroactive effects of the merger, accounted for as a pooling of interests, with Fisher-Price, Inc. ("Fisher-Price") consummated in November 1993.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated at end-of-period rates of exchange. Income, expense and cash flows are translated at weighted-average rates of exchange for the period. The resulting currency translation adjustments are accumulated and reported as a separate component of shareholders' equity.

Quasi-Reorganization

Effective December 26, 1987, the Company implemented a quasi-reorganization and revalued its assets and liabilities to their fair values as of that date. The $69.0 million net effect of these adjustments was credited to additional paid-in capital. Additionally, as of December 26, 1987, accumulated deficits of $256.0 million and cumulative currency translation adjustments of $32.7 million were transferred to additional paid-in capital.

Cash

Cash includes cash equivalents. Highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. Because of the short maturities of these instruments, the carrying amount is a reasonable estimate of fair value.

Marketable Securities

Marketable securities, comprised principally of U.S. dollar-denominated debt securities of foreign governments held for liquidity purposes, are stated at market value and classified as securities available-for-sale. Unrealized gains or losses are reported as a separate component in shareholders' equity until realized. Quoted market prices, which approximated cost as of the balance sheet dates, are reasonable estimates of the portfolio's fair value.

Inventories

Inventories, net of an allowance for excess quantities and obsolescence, are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over estimated useful lives of 15 to 40 years for buildings, 3 to 10 years for machinery and equipment, and 10 to 20 years, not to exceed the lease term, for leasehold improvements. Tools, dies and molds are amortized using the straight-line method over three years.

Capitalized lease assets in existence at the time of the quasi-reorganization are recorded at their fair values determined as of December 26, 1987, less accumulated amortization computed over the remaining lease terms. Major categories of capitalized leases are as follows (in thousands):

	As of Year End	
	1994	1993

Land and buildings	$37,208	$37,208
Machinery and equipment	1,260	1,001
	38,468	38,209
Less: accumulated amortization	18,607	16,538
	$19,861	$21,671

Intangible Assets, Net

Intangible assets consist of the excess of purchase price over the fair value of net assets acquired in purchase acquisitions, additional performance purchase payments, and the costs of acquired patents and trademarks. Intangible assets are amortized using the straight-line method over periods ranging from 10 to 40 years. Accumulated amortization was $74.0 million and $55.4 million as of December 31, 1994 and December 31, 1993, respectively.

In 1992, the amortization period for goodwill arising from certain acquisitions was changed from 10 years to 20 years, to better reflect the estimated periods over which related economic benefits will be realized.

Income Taxes

Deferred income tax assets and liabilities are determined in accordance with Statement of Financial Accounting Standards No. 109, _Accounting for Income Taxes_ ("SFAS No. 109"), and result from revenues and expenses being recognized in different time periods for financial reporting purposes than for income tax purposes. Under SFAS No. 109, deferred income taxes arise from temporary differences and carryforwards which are tax-effected at the enacted tax rates and subsequently adjusted for changes in tax laws and rates. Deferred income tax assets and liabilities are classified as current or noncurrent based upon the financial reporting classification of assets and liabilities to which they relate. A valuation allowance is established if it is more likely than not that some portion or all of a deferred income tax asset will not be realized. Effective January 1, 1993, the Company adopted SFAS No. 109, the effects of which are covered in detail in Note 2 to the consolidated financial statements.

Income and Dividends Per Common Share

All share and per share data presented in these financial statements reflect the retroactive effects of the Fisher-Price and IGI mergers, the five-for-four stock splits distributed in January 1995 and 1994 and the three-for-two stock split distributed in June 1992.

Income per common share is computed by dividing earnings available to common shareholders by the average number of common and common equivalent shares outstanding during each period. Primary weighted average share computations assume the exercise of dilutive stock options and warrants, reduced by the number of shares which could be repurchased at average market prices with proceeds from exercise. Primary earnings represent reported net income less preference stock dividend requirements, plus interest savings from the assumed retirement of debt upon exercise of dilutive warrants. On a fully diluted basis, weighted average shares are determined assuming conversion of the 8% Debentures and Series F preference shares, and exercise of all dilutive stock options and warrants, net of assumed treasury share purchases at the higher of end-of-period or average market prices. Fully diluted earnings represent reported net income less required Employee Stock Ownership Plan ("ESOP") dividends or contributions upon conversion of the preference shares and adjusted for the effects, net of tax, resulting from the assumed conversions of convertible securities and the exercise of dilutive warrants.

Foreign Currency Contracts

The Company enters into foreign currency forward exchange contracts and swap agreements as hedges to limit the effect of exchange rate fluctuations on the Company's results of operations and cash flows. Gains and losses related to hedged transactions are deferred and are recognized in results of operations as part of the underlying transaction while those related to unhedged transactions are included in the income statement currently.

NOTE 2 - INCOME TAXES

Consolidated pretax income before extraordinary item and cumulative effect of changes in accounting principles consists of the following (in thousands):

	For the Year 1994	1993	1992
U.S. operations	$268,817	$127,937	$179,250
Foreign operations	124,815	108,709	103,695
	$393,632	$236,646	$282,945

The provision for current and deferred income tax expense consists of the following (in thousands):

	For the Year 1994	1993	1992
Current			
Federal	$ 76,100	$ 64,358	$ 41,648
State	12,100	11,758	13,300
Foreign	48,200	47,884	47,500
	136,400	124,000	102,448
Deferred			
Federal	1,500	(21,841)	(3,000)
State	2,250	(3,629)	(844)
Foreign	(2,350)	(6,640)	(500)
	1,400	(32,110)	(4,344)

Provision excluding extraordinary item	137,800	91,890	98,104
Benefit allocated to extraordinary item	-	8,845	-
Total provision for income taxes	$137,800	$100,735	$ 98,104

Deferred income taxes are provided principally for certain reserves, depreciation, employee compensation-related expenses and certain other expenses that are recognized in different years for financial statement and income tax purposes. The Company's deferred income tax assets (liabilities) were comprised of the following (in thousands):

	December 31, 1994	January 1, 1994
Deferred compensation	$ 11,588	$ 17,035
Sales allowances and inventory reserves	55,826	41,225
Operating loss and tax credit carryovers	26,448	68,774
Excess of tax basis over book basis	9,483	6,261
Postretirement benefits	12,554	12,210
Restructuring and integration charges	36,085	21,667
Loss on debt retirement	-	8,845
Other	29,668	22,271
Gross deferred income tax assets	181,652	198,288
Excess of book basis over tax basis	(14,230)	(8,986)
Depreciation	(816)	(2,753)
Retirement benefits	(7,298)	(4,781)
Other	(11,001)	(15,005)
Gross deferred income tax liabilities	(33,345)	(31,525)
Deferred income tax asset valuation allowances	(33,044)	(52,405)
Net deferred income tax assets	$ 115,263	$ 114,358

Differences between the provision for income tax expense at the United States federal statutory income tax rate and the provision in the consolidated statements of income were as follows (in thousands):

	For the Year		
	1994	1993	1992
Provision at federal statutory rates	$ 137,771	$ 82,812	$ 96,179
Increase (decrease) resulting from:			
Losses without income tax benefit	1,160	2,436	9,068
Foreign earnings taxed at different rates, including withholding taxes	(12,029)	(1,827)	(14,815)
Tax benefit of future deductions	-	(994)	3,600
State and local taxes, net of federal benefit	9,327	5,417	8,259
Dividends paid to ESOP	(1,600)	(1,500)	(1,600)
Nondeductible restructuring costs	-	13,599	-
Other	3,171	792	(2,587)
Total provision	$ 137,800	$100,735	$ 98,104

Appropriate U.S. and foreign income taxes have been provided for earnings of foreign subsidiary companies that are expected to be remitted in the near future. The cumulative amount of undistributed earnings of foreign subsidiaries which the Company intends to permanently invest and upon which no deferred U.S. income taxes have been provided is $301.8 million at December 31, 1994. The additional U.S. income tax on the unremitted foreign earnings, if repatriated, would be offset in whole or in part by foreign tax credits. Foreign withholding taxes of $14.3 million would be due upon remittance of these earnings.

Certain foreign subsidiaries have net operating loss carryforwards totaling $61.2 million ($2.0 million with no expiration date; $59.2 million expiring 1995 to 1999).

Generally accepted accounting principles require that tax benefits related to the exercise by employees of nonqualified stock options be credited to additional paid-in capital. In 1994, 1993 and 1992, nonqualified stock options exercised resulted in credits to additional paid-in capital totaling $23.9 million, $4.4 million and $12.4 million, respectively.

The Internal Revenue Service has completed its examination of the Company's federal income tax returns through January 28, 1984.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, _Accounting for Income Taxes_, which replaced Statement No. 96. Upon adoption, a net deferred income tax asset of $69.0 million was recorded, of which $16.0 million related to postquasi-reorganization net operating losses carried forward, and $53.0 million related principally to future tax deductions, and foreign tax credit and alternative minimum tax credit carryovers resulting from activities prior to the 1987 quasi-reorganization. The benefit of $16.0 million (or $0.07 per fully diluted share in the 1993 first quarter) was recognized in after-tax earnings as the cumulative effect of a change in accounting principle; the remaining $53.0 million was credited to additional paid-in capital in accordance with the required accounting treatment for transactions resulting from activities prior to the 1987 quasi-reorganization.

NOTE 3 - EMPLOYEE BENEFITS

The Company and certain of its subsidiaries have various pension and retirement plans covering substantially all employees of these companies. Pension expense for the Company's plans totaled $14.6 million, $10.0 million and $9.5 million in 1994, 1993 and 1992, respectively. Prior to the November 1993 merger, Fisher-Price maintained a number of benefit plans and compensation arrangements. In general, these programs shall continue to be administered by Fisher-Price without material change or modification for periods up to five years following the merger, depending upon the program.

Pension Plans

The Company provides defined benefit pension plans covering certain of its domestic and foreign employees. Plan benefits are based upon covered employees' length of service and earnings. Pension costs are actuarially determined and plans are generally funded to meet benefit obligations existing as of the end of each year. Contributions are based upon amounts required to be funded under applicable governmental regulations, but will not exceed the maximum amount deductible for income tax purposes. Assets of these plans are invested in equity securities, as well as corporate, government and other fixed-income investments.

The Mattel, Inc. Pension Plan is a noncontributory defined benefit plan for certain domestic hourly employees who are covered by collective bargaining agreements. Accumulated and vested benefit obligations, pension cost and other expenses related to this plan were not significant in 1994, 1993 or 1992.

Activity related to pension plans of foreign affiliates of the Company was not significant during any year.

The Fisher-Price, Inc. Pension Plan, a defined benefit plan covering most of the domestic employees of Fisher-Price, contains certain change-of-control provisions which were triggered as a result of the November 1993 merger. For a five-year period, or until the assets of the plan are less than its liabilities, if earlier, the rate at which benefits accrue on behalf of participants may not be decreased, and in the event of the plan's termination or consolidation with another plan, assets in excess of liabilities must be used to increase participants' benefits. In addition, for a two-year period following the merger, participants whose employment with the Company is terminated under certain conditions may be entitled to immediate vesting and increased annual benefits under the plan. The components of net pension cost for this plan, based upon an October valuation date for the years ended December 31, 1994 and 1993 and January 3, 1993, are detailed below (in thousands):

	For the Period		
	1994	1993	1992
Service cost	$ 3,562	$ 2,928	$ 2,450
Interest cost	7,646	6,801	6,214
Actual loss (gain) on plan assets	1,038	(9,267)	(8,831)
Net amortization and deferral	(14,221)	(2,261)	(1,919)
Net pension income	$ (1,975)	$(1,799)	$(2,086)

Reconciliation of the funded status of Fisher-Price's domestic pension plan to the related prepaid asset included in the consolidated balance sheets are as follows (in thousands):

	As of Year End 1994	As of Year End 1993
Vested benefits	$ 85,510	$101,596
Nonvested benefits	3,643	3,979
Accumulated benefit obligation	89,153	105,575
Effect of projected future salary increases	3,923	5,319
Projected benefit obligation	93,076	110,894
Plan assets at fair value	117,866	122,237
Plan assets in excess of projected benefit obligation	24,790	11,343
Unrecognized net (gain) loss	(1,424)	12,308
Unrecognized prior service cost	2,886	3,194
Unrecognized net asset at transition	(11,561)	(14,130)
Prepaid pension asset	$ 14,691	$ 12,715

	For the Period 1994	1993	1992
Assumptions:			
Weighted average discount rate	8.5%	7.0%	8.0%
Rate of future compensation increases	4.0%	4.0%	5.0%
Long-term rate of return on plan assets	10.0%	10.0%	9.0%

Other Retirement Plans

Domestic employees not covered by collective bargaining agreements are eligible to participate in the Company's 401(k) savings plans. Under these defined contribution plans, the Company makes contributions to a trust based upon the employee's age, as well as matches percentages of certain amounts of voluntary employee contributions. Mattel's Personal Investment Plan covers employees of Mattel, Inc. The Fisher-Price, Inc. Matching Savings Plan, which covers employees of Fisher-Price, will be separately maintained for at least two years following the November 1993 merger. On June 30, 1994, the Fisher-Price Profit Sharing and Retirement Savings Plan was merged and all its assets were transferred into the Fisher-Price, Inc. Matching Savings Plan.

The Company maintains unfunded supplemental retirement plans which are unqualified defined benefit plans covering certain key executives of Mattel, Inc. In addition, compensation deferral and excess benefit plans exist for certain officers and key employees of both Mattel, Inc. and Fisher-Price. For 1994, 1993 and 1992, the accumulated and vested benefit obligations and related expense of these plans were not significant.

Employee Stock Ownership Plan

In January 1987, an employee stock ownership plan was established for employees of IGI. The ESOP is a defined contribution plan satisfying the requirements of the Employee Retirement Income Security Act of 1974. A combination of dividends and cash contributions were paid by the Company in amounts sufficient for the plan to meet its debt service obligations. Payments to the ESOP for the years ended December 31, 1994 and December 31, 1993 were as follows (in thousands):

	For the Year 1994	For the Year 1993
Dividends on stock held by ESOP	$3,485	$4,900
Company contribution to ESOP	15	20

	3,500	4,920
Interest on ESOP indebtedness	48	189
Total payments to ESOP	$3,548	$5,109

In connection with the February 1992 merger, IGI convertible preferred stock held by the ESOP was exchanged for 44,653 shares of the Company's common stock and 864,293 shares of the Company's 12.5% Convertible Preference Stock, Series F. The ESOP debt was repaid in August 1994. Per the terms of the plan, the Company must terminate the ESOP no later than December 31, 2000.

Postretirement Benefits

The Company maintains a postretirement benefit plan for domestic employees of Mattel, Inc. The plan provides for health care to retirees meeting certain age and years of service requirements, and consists primarily of medical and prescription benefits, Medicare Part B reimbursement and life insurance. The plan calls for the payment of premiums by the participants, which amounts are intended to fund the costs of the plan. The Company reimburses 100% of Medicare Part B premiums for salaried employees who retired on or before July 1, 1993, and for union employees who retired on or before March 7, 1988. Employees retiring subsequent to those dates are not eligible for reimbursement. Life insurance coverage is provided for union hourly employees retiring with a pension.

In the first quarter of 1993, the Company adopted Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions ("SFAS No. 106"), with immediate recognition of an actuarially-determined accumulated postretirement benefit obligation of $2.3 million for the Mattel, Inc. plan. The related charge of $1.4 million, after deferred income tax benefits of $0.9 million, was recognized in earnings as the cumulative effect of a change in accounting principle. The ongoing costs and obligations associated with the Mattel, Inc. plan are not significant to the Company's financial position and results of operations.

Fisher-Price has a postretirement health insurance plan covering substantially all domestic employees hired prior to January 1, 1993. Existing retirees, employees who elected to retire before January 1, 1994 and employees whose age-plus-service was equal to 70 years by December 31, 1993 may continue to participate, for their lifetime, in the Fisher-Price group health insurance plan at the same contribution rate as active employees. All other active employees who do not satisfy the criteria outlined above participate in a retiree medical account balance plan. An account was established, as of January 1, 1993, for each eligible employee, with a balance equal to $865 for each year of service, including past service, up to a maximum of 25 years. The account balance will become available upon a participant's retirement at age 55 or anytime thereafter with five years of service, and may be used to purchase benefits through the Fisher-Price health care insurance plan or through an outside insurance provider, and to pay for health care expenses not reimbursed by insurance or Medicare. If an employee terminates employment prior to satisfying the retirement criteria, the account balance is forfeited and no benefits are paid.

Details of the plan's expense recognized in the consolidated financial statements as of December 31, 1994 and 1993 are as follows (in thousands):

	For the Year	
	1994	1993
Service cost	$ 511	$ 475
Interest cost	1,826	1,999
Recognition of transition obligation	-	29,357
Net postretirement benefit cost	$2,337	$31,831

The funded status of the plan and the amounts included in the Company's consolidated balance sheets are as follows (in thousands):

	As of Year End	
	1994	1993
Current retirees	$19,011	$19,367
Fully eligible active employees	5,078	4,359
Other active employees	6,659	5,631
Accumulated postretirement benefit obligation	30,748	29,357
Unrecognized net loss	(21)	-
Accrued postretirement benefit liability	$30,727	$29,357

The discount rates used in determining the accumulated postretirement benefit obligation were 8.5% and 7.0% for 1994 and 1993, respectively. For participants below 65 years of age, the health care cost trend rate for expected claim costs was assumed to be 8.0% in 1994, declining to 6.75% by 1997 and remaining constant thereafter. For participants 65 years of age or older, the health care cost trend rate for expected claim costs was assumed to be 7.0% in 1994, declining to 6.75% by 1996 and remaining constant thereafter. A one percentage point increase in the assumed health care cost trend rate for each future year would have increased the aggregate of service and interest cost for 1994 by approximately $0.3 million and increased the accumulated postretirement benefit obligation as of December 31, 1994 by approximately $3 million.

In January 1993, Fisher-Price adopted the provisions of SFAS No. 106 by electing to amortize its unrecognized transition obligation over 20 years. Upon consummation of the November 1993 merger, Fisher-Price's accounting methodology was conformed to that of the Company, and accordingly, a related $18.6 million charge, net of deferred income tax benefits of $10.7 million, was recognized in earnings as the cumulative effect of a change in accounting principle retroactively as of the 1993 first quarter.

Incentive Awards

The Company's Long-Term Incentive Plan is a variable compensation plan available to certain key executives of Mattel, Inc. Awards are paid annually based upon the performance of the Company over a three-year period. Pursuant to the Company's 1990 stock option plan, stock appreciation rights ("SAR") had been awarded in 1991 to certain key executives of Mattel, Inc. In February 1994, the value of SARs was capped, and they were canceled in exchange for awards consisting of nonqualified stock options and cash, which amount is payable in two equal installments on March 15, 1995 and 1996, contingent upon the executive's continued employment by the Company. At December 31, 1994 and 1993, $26.0 million and $13.6 million, respectively, were accrued for awards under these plans.

The Company also has discretionary annual incentive compensation plans for officers and key employees of both Mattel, Inc. and Fisher-Price, Inc. based on the Company's performance and subject to certain approvals of the Compensation/Options Committee of the Board of Directors. At December 31, 1994 and 1993, $30.4 million and $22.4 million, respectively, were accrued for awards under these plans.

NOTE 4 - SEASONAL FINANCING AND LONG-TERM DEBT

Seasonal Financing

The Company maintains and periodically amends or replaces a revolving credit agreement with a commercial bank group which is utilized to finance the working capital requirements of its domestic and certain international operations. The agreement in effect during 1994, which was recently amended (see below), was renegotiated in the first quarter of 1994 to increase the total facility to $500.0 million from $350.0 million. Within the facility, up to $250.0 million was a standard revolving credit line available for advances and backup for commercial paper issuances ($125.0 million of which was a 364-day facility and the other $125.0 million was a three-year facility). Interest was charged at various rates selected by the Company not greater than the base rate charged by the agent bank, plus a commitment fee of up to .1375% of the unused line available for advances. The remaining $250.0 million (a three-year facility) was available for nonrecourse purchases of certain trade accounts receivable of the Company by the commercial bank group providing the credit line. During 1994, proceeds of $174.0 million were received by the Company as a result of accounts receivable purchases by the bank group. The agreement required the Company to comply with certain consolidated financial covenants for debt-to-capital, interest coverage and tangible net worth levels.

To meet seasonal borrowing requirements of international operations in addition to amounts funded by proceeds of its revolving credit agreement, the Company negotiates individual financing arrangements, generally with the same groups of banks that provided credit in the prior year. International credit lines total approximately $285 million, a portion of which is used to support letters of credit. The Company expects to extend these credit lines throughout 1995 and believes available amounts will be adequate to meet its seasonal financing requirements.

During 1993, Fisher-Price had available domestic and international seasonal credit lines totaling $175.0 million and $90.0 million, respectively. Upon consummation of the merger, the domestic credit line was repaid and terminated. During 1994, Fisher-Price's international credit lines were terminated and its international operations were financed by the Company's existing credit facilities.

Interest rates charged on the Company's working capital credit lines are adjusted on a periodic basis; therefore, the carrying amounts of such obligations are a reasonable approximation of their fair value. Information relating to the Company's domestic and international credit lines is summarized as follows (in thousands):

	For the Year		
	1994	1993	1992
Balance at end of year			
Domestic	$ -	$ -	$ -
International	-	-	13,400
Maximum amount outstanding			
Domestic	613,000	167,000	258,800
International	74,000	76,100	264,700
Average borrowing			
Domestic	271,000	45,100	114,300
International	36,000	55,100	156,300
Weighted average interest rate on average borrowing			
Domestic (computed daily)	5.0%	3.5%	4.4%
International (computed monthly)	11.5%	8.5%	11.2%

Effective in March 1995, the Company amended its revolving credit agreement. The new agreement consists of unsecured facilities providing a total of $650.0 million in seasonal financing from substantially the same group of commercial banks. The facilities provide for up to $400.0 million in advances and backup for commercial paper issuances (a three-year facility), and up to an additional $250.0 million (a three-year facility) for nonrecourse purchases of certain trade accounts receivable by the bank group. In connection with the agreement, the Company is to comply with certain consolidated financial covenants for debt-to-capital, interest coverage and tangible net worth levels.

6-7/8% Senior Notes

In August 1992, the Company issued $100.0 million aggregate principal amount of 6-7/8% Senior Notes maturing August 1, 1997. Interest is payable semiannually on the first day of February and August. The 6-7/8% Senior Notes may not be redeemed prior to maturity. Net proceeds from this issuance were used to reduce outstanding borrowings under the Company's domestic revolving credit line. At December 31, 1994 and 1993, the bid prices for the 6-7/8% Senior Notes, as provided by one of the underwriters, were $965.10 and $1,041.80, respectively, based on a par value of $1,000.00.

6-3/4% Senior Notes

In May 1993, the Company issued $100.0 million aggregate principal amount of 6-3/4% Senior Notes maturing May 15, 2000. Interest is payable semiannually on the fifteenth day of each May and November. The 6-3/4% Senior Notes may not be redeemed prior to maturity. Net proceeds from this issuance were used in place of short-term borrowing for working capital purposes. At December 31, 1994 and 1993, the bid prices for the 6-3/4% Senior Notes, as provided by one of the underwriters, were $924.39 and $1,025.32, respectively, based on a par value of $1,000.00.

Medium-Term Notes ("MT Notes")

During the 1994 third quarter, the Company commenced a program for the issuance of up to $250.0 million in aggregate principal amount of Series A Medium-Term Notes. The MT Notes are issuable in one or more series and can be denominated in U.S. dollars or other specified currencies. The MT Notes bear interest at either fixed or variable rates, as determined at the time of issuance, and have maturity dates of greater than nine months.

During the 1994 fourth quarter, the Company issued an aggregate of $80.5 million principal amount of MT Notes maturing on various dates from October 1999 to December 2004. Interest is payable semiannually at fixed rates ranging from 8.00% to 8.55% per annum on the fifteenth day of May and November, beginning on November 15, 1994. The proceeds of these issuances were used for general corporate purposes. At December 31, 1994, the bid prices for fixed rate MT Notes ranged from $983.12 to $997.33, based on a par value of $1,000.00.

The Company also issued an aggregate of $30.0 million principal amount of MT Notes, maturing in January 1996, bearing interest at three-month LIBOR plus .125%, initially set at 6.5% per annum. Interest is payable quarterly on the twenty-ninth day of March, June, September and December, beginning on March 29, 1995. The proceeds from this issuance were also used for general corporate purposes. The principal amount of the MT Notes approximates fair value since the interest rate on this obligation is reset quarterly.

Mortgage Note
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In 1990, the Company borrowed $45.0 million under a mortgage agreement secured by its headquarters office facility in El Segundo, California. The agreement requires monthly interest-only payments for the first 60 months of its term and monthly principal and interest payments of approximately $0.4 million thereafter, until its December 2005 maturity date. Interest is payable at 10.15% for the term of the agreement. The fair value of the mortgage note, estimated by discounting future cash flows at the interest rates currently available for debt with the same credit rating, similar terms and maturity date, was approximately $48 million and $53 million at December 31, 1994 and 1993, respectively.

Fisher-Price Term Loan

The current portion of long-term liabilities as of December 31, 1993 included $100.0 million of term indebtedness to insurance companies. Following the merger, the Company reached an agreement with the lenders permitting prepayment of this obligation. The prepayment premium and write-off of unamortized issuance costs resulted in an extraordinary charge against earnings in the 1993 fourth quarter, net of an $8.8 million income tax benefit, of $14.7 million, or $0.06 per fully diluted share.

8% Convertible Subordinated Debentures ("8% Debentures")

During the 1994 first quarter, the Company issued its Notice of Redemption to holders of the 8% Debentures. In lieu of redemption at a price of 104.571%, holders could elect to convert the 8% Debentures into the Company's common stock at a conversion price of $12.83 per share. During the 1994 first quarter, holders tendered the remaining $75.7 million of the 8% Debentures for conversion into 7.4 million common shares. Holders had previously tendered $24.3 million par value of the 8% Debentures for conversion into 2.4 million common shares during the 1993 fourth quarter.

Scheduled Maturities

The aggregate amounts of long-term debt and capitalized lease obligations maturing in the next five years are as follows (in thousands):

Year	Senior Debt	Medium Term Notes	Mortgage Note	Capitalized Lease Obligations	Other	Total
1995	$ -	$ -	$ -	$100	$4,000	$ 4,100
1996	-	30,000	400	100	3,000	33,500
1997	100,000	-	500	100	1,000	101,600
1998	-	-	500	100	300	900
1999	-	30,000	600	100	300	31,000

NOTE 5 - SHAREHOLDERS' EQUITY

Preference Share Purchase Rights

In 1992, the Board of Directors approved an extension of the Company's Preference Share Purchase Rights plan. The rights may be exercised by their holders to purchase shares of the Company's Series E Junior Participating Preference Stock upon the occurrence of certain events, including the acquisition, or announcement of intended acquisition, of 20 percent or more of Mattel's common stock by a person or group of affiliated or associated persons. The rights are subject to adjustment in the event of stock dividends, stock splits or other changes in the Company's common stock, and will expire on February 17, 2002, unless the plan is further extended or the rights are earlier redeemed or exchanged by the Company.

Preferred and Preference Stock

The Company is authorized to issue 3.0 million shares of $1.00 par value preferred stock and 20.0 million shares of $0.01 par value preference stock. No preferred shares are outstanding and the Company has no current plan to issue any such shares.

In February 1992, 1.5 million shares of $0.01 par value preference shares were designated as Series E Junior Participating Preference Stock in connection with a distribution of Preference Share Purchase Rights to the Company's common shareholders. Series E shares are issuable only when rights become exercisable under the Preference Share Purchase Rights plan (see above).

In connection with the IGI merger in February 1992, 864.3 thousand shares of $0.01 par value preference stock were designated as 12.5% Convertible Preference Stock, Series F, and issued to the IGI ESOP. Dividends are payable at the option of the Company and are cumulative. Additionally, when cash dividends are declared on the Company's common stock, Series F preference shares are entitled to participate in such distribution as if converted into common stock at that time.

Each Series F share is convertible, at the option of the ESOP's trustee, into .854145 shares of Mattel common stock. The aggregate liquidation preference of the Series F shares as of December 31, 1994 was $33.8 million or $39.056 per share. The ESOP note receivable, which was secured by the Series F Preference Stock, was repaid in August 1994.

Common Stock

Concurrently with their approval of the Fisher-Price merger in 1993, shareholders of the Company voted to amend the Mattel, Inc. certificate of incorporation to increase the number of common shares authorized from 150.0 million to 300.0 million shares.

Stock Options

Under the Company's stock option plans, officers and other key employees may be granted nonqualified stock options, restricted stock awards and stock appreciation rights. Generally, options are exercisable contingent upon the grantees' continued employment with the Company, and in installments when permitted by the Board of Directors or its Compensation/Options Committee. As of December 31, 1994 and 1993, a total of 10.6 million shares and 15.5 million shares, respectively, of Mattel common stock were reserved for issuance under these plans.

Nonqualified stock options are granted at not less than 100 percent of the fair market value of the Company's common stock on the date of award, and generally expire within ten years from date of grant. Restricted stock awards issued are subject to various restrictions. During the time period from the award date until the restrictions lapse, shares cannot be sold, assigned, pledged or otherwise encumbered by the recipients. As of December 31, 1994, restricted stock awards granted to Mattel executives totaled 742.2 thousand shares. The market value of these shares as of December 31, 1994 was charged to income as part of the 1994 restructuring. Any subsequent increases or decreases in market value through January 1, 1997, the end of the restriction period, will be reflected in the results of operations currently.

The following is a summary of stock option information for the Company's plans during the year (options in thousands):

Nonqualified Plans	Options Outstanding Number (a)	Price (a)
Outstanding at December 31, 1992	8,464	$ 2.22 to $15.68
Granted	6,042	9.76 to 19.12
Exercised	(1,329)	2.22 to 15.68
Canceled	(685)	2.90 to 15.68
Outstanding at December 31, 1993	12,492	2.22 to 19.12
Granted	3,043	18.20 to 22.30
Exercised	(4,901)	2.22 to 15.68
Canceled	(116)	3.03 to 17.52
Outstanding at December 31, 1994	10,518	$ 2.30 to $22.30
Options exercisable at:		
December 31, 1993 (b)	5,273	
December 31, 1994 (c)	2,560	

(a) Number of options and prices reflect the retroactive effect of the November 1993 Fisher-Price merger and the five-for-four stock splits distributed in January 1995 and 1994.
(b) Average exercise price - $11.23 per share. Expiration dates vary from July 12, 1994 to December 15, 2003.
(c) Average exercise price - $14.86 per share. Expiration dates vary from November 11, 1995 to August 25, 2004.

The Company's 1990 stock option plan provides that up to 1% of Mattel's outstanding common stock as determined on December 31 of the preceding year will be available for awards during each calendar year in which the plan is in effect. In connection with the Fisher-Price merger, shareholders approved the Board of Directors' recommendation of an increase of 4.7 million shares above the standard 1% limitation as set forth in the plan. The purpose of such increase was to accommodate the post-merger grant of awards to employees of Mattel and Fisher-Price as motivation for the successful integration and future operation of the combined business.

The Fisher-Price Long-Term Incentive Plan of 1991 provided benefits for eligible participants in the form of stock options, stock appreciation rights, restricted stock, performance units and other awards as determined by the plan's administrative committee. Effective with the merger, all stock-based awards and benefits previously granted and outstanding under the plan became fully vested and, if not previously exercised, converted into rights to receive equivalent shares, as adjusted for the 1.275 (pre-split basis) merger exchange ratio, of Mattel common stock. Accordingly, 300.5 thousand Fisher-Price restricted stock awards outstanding became fully vested; the remaining unamortized deferred compensation of $3.0 million was recognized in the fourth quarter of 1993.

Fisher-Price Stock Subscription Warrants

In connection with their Term Loan, Fisher-Price had issued to the lenders detachable warrants allowing them to purchase shares of Fisher-Price stock, subject to certain antidilution requirements. In November 1992, Fisher-Price repurchased from the holders warrants representing rights to 1.5 million common shares. As of the effective date of the merger, the Company agreed to assume Fisher-Price's obligations pursuant to the provisions of the warrants.

Change-of-control provisions of the warrants allowed the holders a six-month period from the merger date to elect to receive, in lieu of exercises for common shares, an amount in cash equal to the product obtained by multiplying the number of shares of common stock purchasable upon exercise by the highest closing market price of such shares, as reported on the NYSE Composite Tape during the period from August 19, 1993 through November 30, 1993, less the warrant exercise price. During June 1994, holders of 360.8 thousand warrants elected the cash option and received $4.9 million.

The exercise of all outstanding warrants by the holders would result in delivery of approximately 1.0 million shares of the Company's common stock at an exercise price of $5.96462 per share.

Conversion of 8% Debentures

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During the 1994 first quarter, holders tendered $75.7 million of the 8% Debentures for conversion into 7.4 million common shares in response to the Company's Notice of Redemption. Holders had previously tendered $24.3 million par value of the 8% Debentures for conversion into 2.4 million common shares during the 1993 fourth quarter.

Common Stock Repurchase Plan
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In May 1990, the Board of Directors authorized a stock repurchase plan which initially provided for annual repurchases on the open market of up to one percent of the Company's common stock to fund the stock option plans. In May 1993, the Board expanded the repurchase program to permit the repurchase of up to 15.6 million shares over the next four years. During 1994 and 1993, the Company purchased 3.7 million and 3.3 million shares, respectively. Shares repurchased, less 4.6 million shares reissued in 1994 and 3.5 million shares reissued in 1993, are included in treasury stock.

Dividends and Capital Transactions
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On December 19, 1994, the Board of Directors declared a five-for-four stock split on the Company's common stock, distributable on January 20, 1995 to shareholders of record as of January 6, 1995. Accordingly, $44.7 million was transferred from additional paid-in capital to common stock, representing the par value of additional shares issued. Similar transfers were made between paid-in capital and common stock in the amounts of $34.3 million and $48.0 million to reflect the respective declarations of a five-for-four stock split in November 1993 and a three-for-two stock split in May 1992.

A regular quarterly cash dividend has been declared by the Board of Directors on the Company's common stock since the second quarter of 1990.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Leases

The Company routinely enters into noncancelable lease agreements for premises and equipment used in the normal course of business. The following table shows the future minimum obligations under lease commitments in effect at December 31, 1994 (in thousands):

	Capitalized Leases	Operating Leases
1995	$ 400	$ 31,600
1996	400	26,000
1997	400	16,200
1998	400	14,300
1999	400	13,100
Thereafter	11,000	13,200
	13,000 (a)	114,400
Less: sublease commitments	-	200
	$13,000	$114,200

(a) Includes $10.3 million of imputed interest.

Rental expense under operating leases amounted to $33.7 million, $33.8 million and $32.1 million for 1994, 1993 and 1992, respectively, net of sublease income of $0.7 million, $0.4 million and $2.8 million.

In connection with the discontinuance of certain operations in 1984, the Company remained obligated for a facility lease through 1998. The Company determined in April 1993 that it would not, upon the expiration of the sublease agreements, utilize such facility and made a lease termination payment to discharge its remaining obligations to the lessor. A net charge in the amount of $41.1 million, after related tax effects of $26.9 million, for the cost of the lease termination was charged to additional paid-in capital, consistent with the treatment accorded transactions which preceded the Company's 1987 quasi-reorganization.

Commitments

In the normal course of business, the Company enters into contractual arrangements for future purchases of goods and services to ensure availability and timely delivery and to obtain and protect the Company's right to create and market certain toys. Such arrangements include commitments for future inventory purchases and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guaranteed or minimum expenditures during the terms of the contracts.

The Company has no significant exposure to credit risk in the event of nonperformance by any counterparty or group of counterparties to its outstanding commitments and foreign currency contracts. Market risk exposures exist with respect to foreign currency forward exchange contracts to the extent that currency fluctuations cannot be predicted with certainty. The Company seeks to mitigate its exposure to market risk through forecasting its future foreign currency positions and hedge requirements, retaining flexibility with respect to currencies used for international borrowing arrangements and intercompany invoicing, and varying the degree of coverage of individual foreign currency exposures, which may alternatively be left open, partially or fully hedged. By policy, the Company maintains hedge coverages between minimum and maximum percentages of its anticipated foreign currency exposures for any given year.

Current and future commitments for guaranteed payments reflect the Company's focus on expanding its product lines through alliances with businesses in other industries, such as sporting goods and television and motion picture entertainment companies. The single largest commitment involves the Company's 1991 agreements with The Walt Disney Company. An extended licensing agreement permits the Company to use the Disney name and characters on preschool and infant products through 2001 and provides for the addition of certain other Disney characters and product lines to those previously licensed to the Company. In addition, a related ten-year agreement involves the Company's participation in attractions and toy stores at three Disney theme parks and the development of theme park toys.

As of December 31, 1994, the Company had outstanding commitments for 1995 purchases of inventory of approximately $103 million. As of December 31, 1993, the Company had commitments for 1994 purchases of inventory of approximately $56 million.

Licensing and related agreements provide for terms extending from 1995 through 2002 and contain provisions for future minimum payments as shown in the following table (in thousands):

	Minimum Payments
1995	$ 52,000
1996	44,000
1997	43,000
1998	42,000
1999	43,000
Thereafter	80,000
	$304,000

Royalty expense for the years ended December 31, 1994, 1993 and 1992 was $83.9 million, $69.2 million and $50.2 million, respectively.

Foreign Currency Contracts

The Company enters into foreign currency forward exchange contracts and swap agreements primarily as hedges of inventory purchases, sales and other intercompany transactions denominated in foreign currencies to limit the effect of exchange rate fluctuations on the Company's results of operations and cash flows. These contracts generally have maturity dates ranging from one to fifteen months. Gains or losses related to hedged transactions are deferred and are recognized in results of operations as a part of the underlying transaction. Had the Company not entered into hedges covering a percentage of its foreign currency positions, the unfavorable effect on 1994 pre-tax income would have approximated $2 million.

As of December 31, 1994 and 1993, the Company held the following contracts to obtain U.S. dollars (in thousands):

	1994		1993	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Forwards	$264,783		$215,631	
Swaps	65,155		40,334	
	$329,938	$329,540	$255,965	$247,996

Fair value reflects the amount, based on dealer quotes, the Company would receive at maturity for contracts involving the same currencies and maturity dates, if they had been entered into as of year-end 1994 and 1993, respectively.

As of December 31, 1994 and 1993, the Company held the following contracts to purchase foreign currencies (in thousands):

	1994		1993	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Forwards	$ 57,898		$127,582	
Swaps	124,746		91,790	
	$182,644	$184,417	$219,372	$222,676

Fair value reflects the amount, based on dealer quotes, the Company would pay at maturity for contracts involving the same currencies and maturity dates, if they had been entered into as of year-end 1994 and 1993, respectively.

The following table summarizes the Company's foreign currency contracts by major currency as of December 31, 1994 and 1993 (in thousands of U.S. dollars):

	1994		1993	
	Buy	Sell	Buy	Sell
U.S. dollars	$329,938	$177,589	$255,965	$166,667
German deutschemarks	91,740	81,620	77,330	64,815
Italian lira	-	15,240	52,705	35,327
Malaysian ringgits	5,034	-	61,311	-
Hong Kong dollars	47,809	-	13,566	-
French francs	18,481	57,685	-	66,515
British pounds sterling	-	51,268	-	58,010
Canadian dollars	6,485	25,270	6,721	44,924
Spanish pesetas	-	17,141	-	13,482
Dutch guilders	-	46,926	-	11,411
Japanese yen	-	17,757	-	-
Australian dollars	-	14,306	-	-
Swiss francs	9,680	5,555	5,212	5,210
Other (under $5,000)	3,415	2,225	2,527	8,976
	$512,582	$512,582	$475,337	$475,337

In order to minimize the risk of counterparty non-performance, the Company executes its foreign currency forward exchange contracts and swap agreements with financial institutions believed to be credit-worthy, generally those that provide the Company with its working capital lines of credit. The Company does not trade in financial instruments nor does it enter into contracts for speculative purposes.

Letters of Credit

The Company had outstanding irrevocable letters of credit in the amount of $15.1 million and $31.8 million as of December 31, 1994 and 1993, respectively. These letters of credit, which have terms from one month to one year, collateralize the Company's obligations to third parties for the purchase of inventory. The fair value of these letters of credit approximates contract values based on the nature of the fee arrangements with the issuing banks.

Litigation

The Company is involved in various litigation and other legal matters, including claims related to product liability and environmental cleanup, which are being addressed or defended in the ordinary course of business. Management believes that any liability which may potentially result upon resolution of such matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

NOTE 7 - ACQUISITIONS AND NONRECURRING ITEMS

On May 31, 1994, the Company acquired substantially all of the business assets and assumed the associated debts and liabilities of Kransco, a San Francisco-based designer, manufacturer and marketer of brand name recreational and sporting products, including POWER WHEELS battery-powered, ride-on vehicles; HULA HOOP and FRISBEE products marketed under the WHAM-O trademark; STREET JAM sporting goods; and MOREY BOOGIE bodyboards. The purchase price included net cash consideration of $254.6 million, including costs directly related to the acquisition. In addition, the Company repaid $20.0 million of Kransco's short-term borrowings concurrent with consummation of the asset purchase transaction. The asset purchase agreement also provides for future contingent consideration in the event that net sales of the POWER WHEELS product line reaches or exceeds certain levels in each of calendar years 1994, 1995 and 1996. The contingent consideration payable with respect to any year shall not exceed $8.6 million. As of December 31, 1994, $8.6 million of contingent consideration was payable, and as a result the goodwill initially recorded was increased.

The acquisition has been accounted for under the purchase method of accounting and, accordingly, the operating results of Kransco have been included in the Company's consolidated financial statements since the date of acquisition. The estimated fair market value of assets and liabilities acquired was $99.4 million and $37.2 million, respectively. The excess of the aggregate purchase price over the estimated fair market value of the net assets acquired was approximately $221 million, which is being amortized on a straight-line basis over 20 years.

The following summary presents unaudited pro forma consolidated results of operations as if the acquisition had occurred at the beginning of 1994 and 1993, and includes adjustments for estimated amounts of goodwill amortization, depreciation of fixed assets acquired based on their estimated fair values, increased interest expense assuming the initial purchase consideration had resulted in additional short-term borrowing during the periods presented, and the elimination of intercompany transactions. The pro forma results are for illustrative purposes only, and do not purport to be indicative of the actual results which would have occurred had the transaction been consummated as of those earlier dates, nor are they indicative of results of operations which may occur in the future. These results reflect the highly seasonal nature of the business acquired and do not reflect the synergies achieved.

(In thousands, except per share amounts)	For the Year 1994	1993
Net sales	$3,248,765	$2,876,080
Income before extraordinary item and cumulative effect of changes in accounting principles	$ 253,537	$ 142,012
Net income	$ 253,537	$ 123,309
PRIMARY INCOME PER COMMON SHARE		
Income before extraordinary item and cumulative effect of changes in accounting principles	$ 1.11	$ 0.64
Net income	$ 1.11	$ 0.56
FULLY DILUTED INCOME PER COMMON SHARE		
Income before extraordinary item and cumulative effect of changes in accounting principles	$ 1.10	$ 0.63
Net income	$ 1.10	$ 0.55

In July 1994, the Company acquired a majority of the shares of Spear, a company organized in the United Kingdom, that holds the rights to SCRABBLE in markets outside of the United States and Canada, and certain other games worldwide. Under the terms of the Company's offer, shareholders had the option to receive the purchase consideration of 11.5 pounds sterling per issued share in either cash, interest-bearing notes or in a combination of cash and notes. As of December 31, 1994, holders of 5.1 million shares of Spear had elected the cash option, receiving approximately 58 million pounds sterling, and holders of 0.3 million shares had elected to receive notes. The aggregate purchase price, including investment advisor and other directly related expenses, denominated in pounds sterling, was approximately $100 million.

The acquisition has been accounted for by the purchase method and, accordingly, the results of operations of Spear have been included in the Company's consolidated financial statements since the date of acquisition. The estimated fair market value of assets and liabilities acquired was approximately $40 million and $35 million, respectively. The excess of cost over the estimated fair market value of tangible net assets acquired was approximately $95 million, which is being amortized on a straight-line basis over 20 years.

In the 1994 fourth quarter, the Company recognized a $72.0 million pre-tax charge against continuing operations in connection with the consolidation of manufacturing operations and the reduction of headquarters expense and support functions worldwide. Of these charges, approximately $36 million was related to severance costs from elimination of approximately 1,000 positions, $15 million represented restricted stock awards that related to the Fisher-Price integration, $14 million for termination of various distribution and lease agreements, $4 million for the writedown of fixed assets to their net realizable value in connection with the elimination of excess manufacturing capacity, and other costs of $3 million. After related tax effects, the net $46.8 million charge impacted 1994 earnings by $0.21 per share on a fully diluted basis.

Although no assurance can be given, the Company anticipates the restructuring will provide pre-tax cost savings of approximately $25 million during 1995, principally as a result of creating efficiencies and eliminating redundancies. Available cash reserves and cash flow generated from normal business operations will fund the costs of the restructuring, with no adverse impact expected on the Company's future liquidity, revenues or financial position. It is anticipated that substantially all amounts related to the restructuring will be expended during 1995.

On November 30, 1993, a merger was consummated between the Company and Fisher-Price, one of the world's largest manufacturers and marketers of infant and preschool toys and juvenile products. The stock-for-stock transaction was approved by the shareholders of both companies, after which Fisher-Price became a wholly-owned subsidiary of the Company. The merger agreement provided for the exchange of 1.275 shares of Mattel common stock for each outstanding Fisher-Price common share, and resulted in the issuance of 39.1 million shares, before stock splits (61.1 million shares after stock splits), valued, on the merger's effective date, at $1.19 billion. This transaction was accounted for as a pooling of interests, and accordingly, financial information for periods prior to the merger reflect retroactive restatement for the companies' combined financial position and operating results. Prior to July 1, 1991, the business of Fisher-Price was operated as a division of The Quaker Oats Company, and therefore, any such financial data have been excluded from the Company's combined consolidated results presented herein.

In connection with its merger with Fisher-Price, the Company recognized a one-time charge of $115.0 million, pre-tax, in the 1993 fourth quarter. Of the total, approximately $17 million represented transaction costs of the merger, and $30 million related to the severance of key Fisher-Price executives. Following the merger, the Company commenced integrating and restructuring certain of the domestic and international business operations of the entities. Of the remaining $68 million of estimated costs, approximately $13 million represented writedowns of fixed assets in connection with the elimination of duplicative administration and plant facilities. The remainder represented expenditures related to the combination of the entities' worldwide business operations, including staff reductions and outplacement expenses, costs of terminating contracts with lessors and distributors and fees paid to consultants in connection with the integration and restructuring process. After related tax effects, the net $90.4 million charge impacted 1993 earnings by $0.40 per share on a fully diluted basis.

As of December 31, 1994, the integration and restructuring activity provided for by the 1993 charge was substantially complete and amounts previously accrued had been paid. The cost savings realized by the Company as a result of the consolidation of facilities and related staff reductions were comparable to the anticipated $45 million, and the type and amount of charges actually incurred approximated the amounts included in the provision.

In 1992, the Company concluded its merger with International Games, Inc. ("IGI"), a creator, manufacturer and marketer of proprietary family and educational card and board games, including UNO and SKIP-BO. The merger, accounted for as a pooling of interests, was effected by exchanging all of IGI's outstanding voting preferred and common stock for 2.0 million shares of Mattel common stock and 0.9 million shares of Mattel 12.5% Convertible Preference Stock, Series F, representing a combined value of $58.5 million.

NOTE 8 - FINANCIAL INFORMATION BY GEOGRAPHIC AREA

The Company's business consists of the design, manufacture and marketing of toys on a worldwide basis. The Company's international operations are located principally in Europe, Canada, Latin America and Asia. Consolidated liabilities of these subsidiaries were approximately $421 million, $300 million and $311 million at December 31, 1994, 1993 and 1992, respectively.

The Company's toy products are sold throughout the world. Credit is granted to customers on an unsecured basis, and generally provides for extended payment terms which result in a substantial portion of trade receivables being collected during the latter half of the year. In the United States, toys are distributed directly to large retailers, including discount and free-standing toy stores, chain stores, department stores, other retail outlets, and to a limited extent, wholesalers. Internationally, the Company sells its products directly in Argentina, Australia, Austria, the Benelux countries, Canada, Chile, France, Germany, Greece, Italy, Japan, Mexico, New Zealand, Portugal, Scandinavia, Spain, Switzerland, the United Kingdom, Venezuela, and in certain areas of Eastern Europe and Asia. In 1995, the Company will begin selling its products directly in Colombia through a newly established subsidiary. The Company's products are marketed principally through distributors in certain parts of Latin America, the Middle East and Southeast Asia, and the Company also licenses some of its products to outside manufacturers for sale in Brazil, Peru, and other Latin American countries. In the fourth quarter of 1993, the Company's distributorship agreement for Nintendo products in Australia was terminated. The Company ceased distribution of Nintendo products in Canada and Italy during the first and third quarters of 1992, respectively.

The Company's worldwide sales to Toys R Us and Wal-Mart, the only customers accounting for more than 10% of 1994 consolidated net sales, were $734.1 million and $417.7 million, respectively. At December 31, 1994, accounts receivable from Toys R Us and Wal-Mart were $156.6 million and $104.3 million, respectively. In 1993, worldwide sales to Toys R Us and Wal-Mart were $598.7 million and $277.3 million, respectively, and in 1992, worldwide sales to Toys R Us were $466.4 million. At December 31, 1993, accounts receivable from Toys R Us and Wal-Mart were $156.8 million and $63.2 million, respectively.

Information by geographic area is set forth in the tables below. Profit from operations represents income before income taxes, interest expense and general corporate expenses. Sales between geographic areas are based upon transfer prices which include manufacturing cost and profit.

(In thousands)	Net Sales	Profit From Operations	Identifiable Assets
1994			
United States	$2,315,778	$305,874	$1,150,514
Europe and Canada	1,066,349	143,658	715,021
Asia and Latin America	1,287,502	130,247	396,100
	4,669,629	579,779	2,261,635
Sales and transfers between			

geographic areas (a)	(1,464,604)	-	-
Interest expense	-	(55,449)	-
Corporate and other	-	(130,698)	197,391
Consolidated total	$3,205,025	$393,632	$2,459,026
1993			
United States	$1,873,249	$187,923	$ 718,688
Europe and Canada	908,030	68,270	545,406
Asia and Latin America	993,001	96,924	290,759
	3,774,280	353,117	1,554,853
Sales and transfers between geographic areas (a)	(1,069,832)	-	-
Interest expense	-	(62,614)	-
Corporate and other	-	(53,857)	445,224
Consolidated total	$2,704,448	$236,646	$2,000,077
1992			
United States	$1,612,174	$226,193	$ 712,309
Europe and Canada	861,462	95,480	504,331
Asia and Latin America	844,917	66,461	286,185
	3,318,553	388,134	1,502,825
Sales and transfers between geographic areas (a)	(755,028)	-	-
Interest expense	-	(68,716)	-
Corporate and other	-	(36,473)	209,850
Consolidated total	$2,563,525	$282,945	$1,712,675

(a) Primarily from Asia and Latin America to other regions of the world.

NOTE 9 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Due to seasonality of the Company's earnings, exclusion of antidilutive common stock equivalents in certain periods and fluctuation in the Company's common stock price, the sum of income per share amounts reported for each of the four quarters may not equal income per share reported for the full year.

(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
YEAR ENDED DECEMBER 31, 1994				
Net sales	$487,271	$650,263	$1,037,082	$1,030,409
Gross profit	238,104	314,505	528,960	519,934
Advertising and promotion expenses	71,630	94,010	161,298	189,547
Other selling and administrative expenses	116,797	118,608	140,601	160,437
Restructuring charge (a)	-	-	-	72,000
Other expense, net (b)	3,285	1,315	5,967	16,927
Operating profit (c)	46,392	100,572	221,094	81,023
Income before taxes	38,269	89,082	202,820	63,461
Net income	24,069	57,082	131,820	42,861
Preference stock dividend requirements	(1,223)	(1,223)	(1,152)	(1,091)
Net income applicable to common shares	22,846	55,859	130,668	41,770
Primary income per share (d):				
Net income	$0.10	$0.25	$0.58	$0.19
Average number of common and common equivalent shares	218,796	224,723	225,930	224,493
Fully diluted income per share (d):				
Net income	$0.10	$0.25	$0.57	$0.19
Average number of common and common equivalent shares	227,200	226,805	227,890	225,281
Dividends declared per common share (d)	$0.048	$0.048	$0.048	$0.048
Common stock market price (d)				
High	$21.50	$21.80	$23.00	$23.60
Low	16.50	18.60	20.40	19.60
YEAR ENDED DECEMBER 31, 1993 (e)				
Net sales	$477,184	$576,618	$896,732	$753,914
Gross profit	218,770	279,013	453,935	374,549
Advertising and promotion expenses	68,489	83,390	139,392	135,427
Other selling and administrative expenses	109,497	113,652	128,882	121,363
Integration and restructuring charge (f)	-	-	-	115,000
Other expense, net	560	3,819	5,378	2,158
Operating profit (c)	40,224	78,152	180,283	601
Income before taxes, extraordinary item and accounting changes	27,015	63,223	163,370	(16,962)
Extraordinary item - debt retirement	-	-	-	(14,681)
Cumulative effect of changes in accounting principles	(4,022)	-	-	-
Net income	14,458	40,770	104,656	(42,676)
Preference stock dividend requirements	(1,224)	(1,223)	(1,224)	(1,223)
Net income applicable to common shares	13,234	39,547	103,432	(43,899)
Primary income per share (d):				
Income before extraordinary item and accounting changes	$0.08	$0.19	$0.49	$(0.14)
Net income	0.06	0.19	0.49	(0.21)
Average number of common and common equivalent shares	212,722	213,356	213,261	213,308
Fully diluted income per share (d):				
Income before extraordinary item and accounting changes	$0.08	$0.18	$0.47	$(0.14)
Net income	0.07	0.18	0.47	(0.21)
Average number of common and common equivalent shares	225,876	225,356	225,420	212,050
Dividends declared per common share (d)	$0.032	$0.038	$0.038	$0.038
Common stock market price (d)				
High	$18.48	$16.88	$18.24	$19.68
Low	13.12	13.68	14.80	17.20

(a) Represents a nonrecurring charge principally related to the consolidation of manufacturing operations and the reduction of headquarters expense and support functions worldwide.
(b) Fourth quarter includes a $19.8 million foreign exchange transaction loss

resulting from devaluation of the Mexican peso.

(c) Represents income from operations before interest expense and provision for income taxes.

(d) Per share data and market prices for all periods reflect the retroactive effect of stock splits distributed to shareholders in January 1995 and 1994 and the November 1993 merger with Fisher-Price.

(e) Financial information for all quarters reflects the retroactive effect of the November 1993 merger, accounted for as a pooling of interests, with Fisher-Price.

(f) The nonrecurring charge represents transaction, integration and restructuring costs related to the 1993 merger with Fisher-Price.

NOTE 10 - SUPPLEMENTAL FINANCIAL INFORMATION

(In thousands)	As of Year End 1994	1993
INVENTORIES INCLUDE THE FOLLOWING:		
Raw materials and work in process	$ 50,334	$ 50,927
Finished goods	288,809	169,066
	$339,143	$219,993
PREPAID EXPENSES AND OTHER CURRENT ASSETS INCLUDE THE FOLLOWING:		
Deferred income taxes	$114,808	$101,776
Other	67,867	45,087
	$182,675	$146,863
INTANGIBLE ASSETS, NET, INCLUDE THE FOLLOWING:		
Goodwill	$418,903	$124,458
Other	13,329	14,819
	$432,232	$139,277
ACCRUED LIABILITIES INCLUDE THE FOLLOWING:		
Advertising and promotion	$102,115	$ 80,396
Compensation	75,729	58,582
Restructuring charge	67,649	94,774
Other	207,653	164,048
	$453,146	$397,800

(In thousands)	For the Year 1994	1993	1992
SELLING AND ADMINISTRATIVE EXPENSES INCLUDE THE FOLLOWING:			
Research and development	$93,153	$75,415	$76,619

Statements of Cash Flows

For the years ended December 31, 1994, 1993 and 1992, cash paid for interest totaled $52.9 million, $76.1 million and $67.8 million, respectively. Cash paid for income taxes in each of the three years was $66.3 million, $55.7 million and $72.5 million, respectively.

Significant noncash investing and financing activities were as follows:

- During the 1994 first quarter, holders tendered $75.7 million aggregate par value of the 8% Debentures for conversion into 7.4 million shares of the Company's common stock. During the 1993 fourth quarter, holders tendered $24.3 million aggregate par value of the 8% Debentures for conversion into 2.4 million shares of the Company's common stock.

- The November 1993 merger with Fisher-Price in a stock-for-stock transaction neither used nor provided cash (see Note 7). The Company's consolidated financial statements, consistent with pooling of interests accounting treatment, reflect retroactive restatement for the effects of the merger. Accordingly, the assets and liabilities of Fisher-Price and the changes in shareholders' equity as a result of the merger are included in the combined consolidated financial statements as of July 1, 1991, but are not includable as of December 1990 while Fisher-Price was a division of The Quaker Oats Company. Because the merger transaction neither provided nor used cash with respect to the combined companies, the effect of consolidating financial statement balances as of July 1, 1991 is not reflected in the statements of cash flows.

- The effects of changes in accounting principles related to the Company's adoption of Statements of Financial Accounting Standards Nos. 106 and 109 in the 1993 first quarter neither provided nor used cash, and accordingly, have been excluded from the statement of cash flows.

MANAGEMENT REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the Company's consolidated financial statements and the related financial and nonfinancial information appearing in this Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles and, in the opinion of management, present fairly the Company's financial position, results of operations and cash flows. The financial statements necessarily contain some amounts that are based on the best estimates and judgments of management.

The Company maintains accounting and internal control systems which management believes are adequate to provide reasonable assurance, in relation to reasonable cost, as to the integrity and reliability of the financial statements and as to protection of assets from unauthorized use or disposition. The selection and training of qualified personnel, the establishment and communication of accounting and administrative policies and procedures, and a program of internal audit are important elements of these control systems.

The Company's internal auditors are directed to examine the adequacy and effectiveness of the Company's system of internal accounting, administrative and operational controls. They conduct formal and systematic reviews to determine that operations are adequately controlled and to assure that assets are effectively safeguarded.

The Board of Directors has appointed an audit committee, composed entirely of nonemployee directors. The committee meets regularly with financial management, internal auditors and the independent accountants to review accounting control, auditing and financial reporting matters.

Price Waterhouse, independent accountants, have been retained to audit the Company's consolidated financial statements. They conduct a review of internal accounting controls to the extent required by generally accepted accounting principles and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

/s/ Francesca Luzuriaga
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Francesca Luzuriaga
Executive Vice President, Finance

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Mattel, Inc.

In our opinion, based upon our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Mattel, Inc. and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1992 financial statements of Fisher-Price, Inc. and its subsidiaries, which statements reflect total assets of $455,198,000 at January 3, 1993 and total net sales of $693,951,000 for the period ended January 3, 1993. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Fisher-Price, Inc. and its subsidiaries, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for the opinion expressed above.

/s/ PRICE WATERHOUSE LLP

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Los Angeles, California
February 6, 1995

DIRECTORS AND OFFICERS

Mattel, Inc. and Subsidiaries

BOARD OF DIRECTORS

John W. Amerman (1)
Chairman and Chief Executive Officer,
Mattel, Inc.

Jill E. Barad (4)
President and Chief Operating Officer,
Mattel, Inc.

Dr. Harold Brown (4)
Senior Managing Director, E.M. Warburg,
Pincus & Co., Inc.

James A. Eskridge
President, Fisher-Price, Inc.

Tully M. Friedman (1)(3)
Co-Managing Partner, Hellman & Friedman

Ronald M. Loeb (3)
Partner, Irell & Manella

Edward H. Malone (1)(2)(4)
Retired Vice President, General Electric Co.

Edward N. Ney
Chairman of the Board of Advisors,
Burson-Marsteller

William D. Rollnick (1)(2)(3)
Chairman, Genstar Rental Electronics, Inc.

John L. Vogelstein (1)(2)(3)
Vice Chairman and Director, E.M. Warburg,
Pincus & Co., Inc.

Lindsey F. Williams (4)
President, Mattel International

(1) Member, Executive/Finance Committee
John L. Vogelstein, Chairman

(2) Member, Compensation/Options Committee
John L. Vogelstein, Chairman

(3) Member, Audit Committee
William D. Rollnick, Chairman

(4) Member, Pension Committee
Edward H. Malone, Chairman

EXECUTIVE OFFICERS

John W. Amerman
Chairman and Chief Executive Officer

Jill E. Barad
President and Chief Operating Officer

James A. Eskridge
President, Fisher-Price, Inc.

Joseph C. Gandolfo
President, Mattel Operations

Lindsey F. Williams
President, Mattel International

Francesca Luzuriaga
Executive Vice President, Finance

E. Joseph McKay
Senior Vice President, Human Resources
and Administration

Ned Mansour
Senior Vice President, General Counsel
and Secretary

Gary P. Rolfes
Senior Vice President and Controller

William Stavro
Vice President and Treasurer

CORPORATE INFORMATION

Mattel, Inc. and Subsidiaries

Transfer Agent and Registrar	Mattel, Inc. Common Stock The First National Bank of Boston
	Mattel, Inc. 12.5% Convertible Preference Stock, Series F Mattel, Inc. 333 Continental Boulevard El Segundo, California 90245
Note Trustees	Mattel, Inc. 6-3/4% Senior Notes due May 15, 2000 PNC Bank, N.A. One Oliver Plaza, 23rd Floor Pittsburgh, Pennsylvania 15265
	Mattel, Inc. 6-7/8% Senior Notes due August 1, 1997 The First National Bank of Boston 150 Royall Street, Mail Stop 45-02-15 Canton, Massachusetts 02021 or P.O. Box 1618, Boston, Massachusetts 02105
	Mattel, Inc. Medium-Term Notes Chemical Trust Company of California 300 South Grand Avenue Los Angeles, California 90071
Stock Exchange Listings	Mattel, Inc. Common Stock and Mattel, Inc. Preference Share Purchase Rights New York and Pacific Stock Exchanges
	Mattel, Inc. 6-7/8% Senior Notes due August 1, 1997 New York Stock Exchange
Shareholder Administration	Inquiries relating to shareholder accounting records, stock transfer and dividends (including dividend reinvestment) should be directed to: The First National Bank of Boston Shareholder Services Division 150 Royall Street, Canton Massachusetts 02021 or P.O. Box 644, Boston, Massachussetts 02102 Telephone: 617-575-3170 or 800-730-4001
Common Shareholders	As of March 1, 1995, there were approximately 37,000 holders of record of Mattel, Inc. Common Stock
Annual Meeting	The Annual Meeting of Shareholders will be held May 10, 1995, at 10:00 a.m. in the Manhattan Ballroom of the Radisson Plaza Hotel, Manhattan Beach, California
Form 10-K	Mattel's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1994, is available upon request by writing to the Secretary of the Company, 333 Continental Boulevard, El Segundo, California 90245
Trademark Legends	Cabbage Patch Kids is a trademark of Original Appalachian Artworks, Inc., used under license. Disney characters: [copyright]The Walt Disney Company. Nickelodeon is licensed for use by MTV Networks, a division of Viacom, Inc.
	Barbie, Fisher-Price, Hot Wheels, Power Wheels, Morey Boogie, Wham-O, Frisbee, Hula Hoop, Hacky Sack, UNO, and Skip-Bo are trademarks of Mattel, Inc.

SUBSIDIARIES OF MATTEL, INC.

Subsidiaries(1)	Jurisdiction in Which Organized	Percentage of Voting Securities Owned Directly or Indirectly By Parent(2)
ARCO Toys, Limited	Hong Kong	100%
Arcotoys, Inc.	Delaware	100%
Croner Toys Limited	New Zealand	60%
Far West Insurance Company, Limited	Bermuda	100%
Fisher-Price, Inc.	Delaware	100%
Fisher-Price, N.V.	Belgium	100%
Fisher-Price Inc.	Canada	100%
Fisher-Price Beteiligungs-G.m.b.H.	Germany	100%
Mattel G.m.b.H.	Germany	100%
Mattel Toys K.F.T.	Hungary	100%
Mattel Spol. S.R.O.	Czech Republic	100%
Fisher-Price, S.r.l.	Italy	100%
Fisher-Price de Mexico, S.A. de C.V.	Mexico	100%
Fisher-Price, S.A	Spain	100%
International Games, Inc.	Delaware	100%
International Games, Ltd.	Cayman Islands	100%
Juegos California, S.A. de C.V.	Mexico	100%
Mabamex, S.A. de C.V.	Mexico	100%
Mattel Argentina S.A.	Argentina	100%
Mattel Asia Limited	Hong Kong	100%
Mattel B.V.	The Netherlands	100%
Mattel Chile S.A.	Chile	100%
Mattel Colombia S.A.	Colombia	100%
Mattel Espana, S.A.	Spain	100%
Mattel Europa B.V.	The Netherlands	100%
Mattel France S.A.	France	100%
Corolle S.A.	France	100%
Mattel Portugal Limitada	Portugal	100%
Mattel Gesellschaft m.b.H.	Austria	100%

1
All of the subsidiaries listed above are included in the Consolidated Financial Statements. Two are not named because, when considered in the aggregate, they do not constitute a significant subsidiary. Furthermore, approximately eight subsidiaries are inactive and financial statements are not prepared for such companies.

2
Parent refers to Mattel, Inc. (a Delaware corporation) and excludes Directors' qualifying shares.

SUBSIDIARIES OF MATTEL, INC.

Subsidiaries(1)	Jurisdiction in Which Organized	Percentage of Voting Securities Owned Directly or Indirectly By Parent(2)
Mattel Holding, Inc.	Delaware	100%
Mattel U.K. Limited	U.K.	100%
Mattel Group PLC	U.K.	100%
J.W. Spear & Sons PLC	U.K.	100%
J.W. Spear & Sons Pty. Limited	Australia	100%
J.W. Spear N.V.	Belgium	100%
J.W. Spear S.A.	France	100%
J.W. Spear B.V.	The Netherlands	100%
Mattel Holdings Limited	Canada	100%
Mattel Canada, Inc.	Canada	100%
Mattel I., Inc.	Delaware	100%
Mattel Toys, S.r.l.	Italy	100%
Mattel A.E.B.E.	Greece	100%
Mattel A.G.	Switzerland	100%
Mattel Manufacturing Europe, S.r.l.	Italy	100%
Mattel K.K.	Japan	100%
Mattel (K.L.) Sdn.Bhd.	Malaysia	100%
Mattel (Malaysia) Sdn.Bhd.	Malaysia	100%
Mattel Operations, Inc.	Delaware	100%
Mattel Overseas, Inc.	California	100%
Mattel Toys Vendor Operations Limited	Hong Kong	100%
Mattel Pty. Limited	Australia	100%
Mattel Realty Corporation	Delaware	100%
Mattel, S.A. de C.V.	Mexico	100%
Aurimat, S.A. de C.V.	Mexico	100%
Mattel de Mexico, S.A. de C.V.	Mexico	100%
Mattel Servicios, S.A. de C.V.	Mexico	100%
Mattel Sales Corp.	California	100%

1
All of the subsidiaries listed above are included in the Consolidated Financial Statements. Two are not named because, when considered in the aggregate, they do not constitute a significant subsidiary. Furthermore, approximately eight subsidiaries are inactive and financial statements are not prepared for such companies.

2
Parent refers to Mattel, Inc. (a Delaware corporation) and excludes Directors' qualifying shares.

SUBSIDIARIES OF MATTEL, INC.

Subsidiaries(1)	Jurisdiction in Which Organized	Percentage of Voting Securities Owned Directly or Indirectly By Parent(2)
Mattel Scandinavia A/S	Denmark	100%
Mattel T Company Limited	Hong Kong	100%
Mattel Tools Sdn.Bhd.	Malaysia	100%
Mattel Toys (HK) Limited	Hong Kong	100%
Mattel Toys Polska Sp. Z.O.O.	Poland	100%
Mattel Toys (Singapore) Pte. Ltd.	Singapore	100%
Mattel Toys (Taiwan) Corporation Ltd.	Taiwan	100%
Mattel de Venezuela, C.A.	Venezuela	100%
Montoi S.A. de C.V.	Mexico	100%
P.T. Mattel Indonesia	Indonesia	95%
Precision Moulds Limited	Hong Kong	100%

1
All of the subsidiaries listed above are included in the Consolidated Financial Statements. Two are not named because, when considered in the aggregate, they do not constitute a significant subsidiary. Furthermore, approximately eight subsidiaries are inactive and financial statements are not prepared for such companies.

2
Parent refers to Mattel, Inc. (a Delaware corporation) and excludes Directors' qualifying shares.

Exhibit 23.0

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in each of the six Registration Statements on Form S-8 (No. 33-54391, No. 33-52723, No. 33-14717, No. 33-51454, No. 33-34920 and No. 33-57082) and in each Prospectus constituting part of the two Registration Statements on Form S-3 (No. 33-54927 and No. 33-46947) of Mattel, Inc. and its subsidiaries of our report dated February 6, 1995, appearing on page 51 of the December 31, 1994 Annual Report to Shareholders which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 28 of the Company's Annual Report on Form 10-K.

/s/ PRICE WATERHOUSE LLP

Los Angeles, California
March 22, 1995

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Mattel, Inc. on Form S-8 (No. 33-54391, No. 33-52723, No. 33-14717, No. 33-51454, No. 33-34920 and No. 33-57082) and on Form S-3 (No. 33-54927 and No. 33-46947) of our report dated February 4, 1993, on our audit of the consolidated financial statements and schedules of Fisher-Price, Inc. for the fiscal year ended January 3, 1993, which report is included in this Annual Report on Form 10-K.

/s/ COOPERS & LYBRAND L.L.P.

Rochester, New York
March 21, 1995

5
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MATTEL INC.'S BALANCE SHEETS AND INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
1,000

YEAR
DEC-31-1994
DEC-31-1994
239,100
20,581
778,124
16,100
339,143
1,543,523
664,587
248,666
2,459,026
915,881
369,064
223,264
0
9
862,417
2,459,026
3,205,025
3,205,025
1,603,522
1,603,522
1,152,422
0
55,449
393,632
137,800
255,832
0
0
0
255,832
1.12
1.11