

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

- 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, 1993.
- 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

(State or other jurisdiction
of incorporation)

95-1567322

(I.R.S. Employer
Identification No.)

333 Continental Boulevard, El Segundo, California

(Address of principal executive offices)

90245-5012

(Zip Code)

(Registrant's telephone number, including area code)

(310) 524-2000

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 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 18, 1994 was \$4,493,882,507.

Number of shares outstanding of registrant's common stock as of March 18, 1994:
Common Stock - \$1 par value -- 177,098,818 shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Mattel, Inc. Annual Report to Shareholders for the year ended December 31, 1993 (Incorporated into Parts I, II and IV).

2. Portions of the Mattel, Inc. 1994 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).

PART I

Item 1. Business

The Company designs, develops, manufactures, markets and distributes a broad variety of toy products on a worldwide basis. Measured by revenues, the Company is the second largest toy company in the world. The Company's three strongest principal product lines are BARBIE fashion dolls and doll clothing and accessories, FISHER-PRICE toys and juvenile products and the Company's Disney-licensed toys, each of which has broad worldwide appeal. Additional current principal product lines consist of die-cast vehicles and accessories, including HOT WHEELS; large dolls; preschool toys, including SEE 'N SAY talking toys; and the UNO and SKIP-BO games. Revenues for 1993 of \$2.7 billion were a record level for the Company.

In November 1993, Fisher-Price, Inc. ("Fisher-Price") became a wholly-owned subsidiary of Mattel as a result of a merger transaction (the "Fisher-Price Merger"). See Note 2 to the Consolidated Financial Statements in the Annual Report to Shareholders for the year ended December 31, 1993 (the "Annual Report to Shareholders"), incorporated herein by reference and Item 4 "Submission of Matters to a Vote of Security Holders" below. As used herein, unless the context requires otherwise, "Mattel" refers to Mattel, Inc., and its subsidiaries other than Fisher-Price, and the "Company" refers to Mattel together with Fisher-Price.

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) 524-2000.

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 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 increasing reliance among retailers on the large toy companies because of their financial stability and their 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

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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. 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 seasonal 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

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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 three strongest core product lines are BARBIE fashion dolls and doll clothing and accessories, FISHER-PRICE toys and juvenile products, and the Company's Disney-licensed toys, each of which has broad worldwide appeal. Additional current core product lines consist of die-cast vehicles and accessories, including HOT WHEELS; 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, 1993, core products accounted for approximately 86% 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.

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 1993 included the HOLLYWOOD HAIR BARBIE doll and the MY SIZE BARBIE doll, the addition of a series of dolls based on the animated feature "Snow White and the Seven Dwarfs" to the Company's Disney line, the BABY WALK 'N ROLL and SALLY SECRETS large dolls and the addition of the ATTACK PACK line of monster trucks to the Company's HOT WHEELS line. The Company also introduced a line of activity toys called McDONALD'S HAPPY MEAL MAGIC.

New product introductions in 1994 will include the Gymnast BARBIE, Bedtime BARBIE and DR. BARBIE dolls; Fisher-Price's new plush RUMPLE BEARS, TRIPLE ARCADE electronic game, and electronic learning toys; the additions of COLOR FX and HOT WHEELS TOP SPEED PIPEJAMMER vehicles to the HOT WHEELS line; and the addition to the Company's Disney line of a series of plush products, action figures and small dolls based on the animated feature "The Lion King". The Company also will introduce a new line of large dolls called DREAMLAND Babies, and Nickelodeon THINGMAKER, a new activity toy. In conjunction with the release of the feature film "The Flintstones," the Company will introduce a line of small dolls, large dolls, action figures and accessories.

International Operations

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Revenues from the Company's international operations represented approximately 40% of total consolidated revenues in 1993. 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 wholly-owned subsidiaries in Australia, Austria, the Benelux countries, Canada, Chile, France, Germany, Greece, Italy, Japan, Mexico, Scandinavia, Spain, Switzerland, the United Kingdom and in certain areas of Eastern Europe and Asia. In 1994, the Company will begin selling its products directly in Argentina, Portugal and Venezuela

through newly established subsidiaries. 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. Until December 1993, Mattel also distributed the Nintendo Entertainment System and related products in Australia. 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 intercompany purchases and sales of inventory in order to protect local cash flows and profitability from currency fluctuations. See "Foreign Currency Contracts." 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, McDonald's, Inc., MCA Universal Merchandising, Inc., the Time Warner Entertainment Company, L.P. and DC Comics, Inc. units of Time Warner Inc., LucasArts Entertainment Company, Turner Home Entertainment, Inc., Hanna-Barbera Productions, Inc., American Greeting Cards, Inc., Children's Television Workshop, and Viacom International, Inc. relating to its Nickelodeon properties. 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 sales 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, 1993, December 31, 1992 and December 31, 1991, the Company expended approximately \$75 million, \$77 million and \$56 million, respectively, in connection with the design and development of products, exclusive of royalty payments.

Advertising and Promotion

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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 Disney World and "Autopia" at Euro Disneyland under a ten-year agreement with The Walt Disney Company. The Company also participates in toy stores in Disneyland and in the Disney Village Market Place near Disney World and commenced participation in a new toy store in Euro Disneyland in December 1993. Separately, the Company has established a total of six 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, 1993, December 31, 1992 and December 31, 1991, Mattel spent approximately \$427 million (16% of net sales), \$403 million (16% of net sales) and \$308 million (15% of net sales), respectively, on worldwide advertising and promotion.

Marketing and Sales

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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, 1993, Toys R Us and Wal-Mart accounted for approximately 22% and 10%, 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 department, 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

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The Company's products are manufactured in Company 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 Fisher-Price Merger, Mattel acquired manufacturing facilities in the states of Kentucky and New York, and in England and Mexico, which are in addition to its existing manufacturing facilities in the Far East (China, Indonesia and Malaysia), Mexico and Italy. The Company also utilizes independent contractors to manufacture products in the United States, 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 conditions in China, there has been, and may be in the future, opposition to the extension of MFN status for China. In May 1993, President Clinton signed an executive order extending MFN status for China through June 3, 1994.

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 elsewhere. Toward that end, the Company has extended its production capacity in other countries. In addition, all of the manufacturing facilities gained by the Company in the Fisher-Price Merger are outside of China, although some Fisher-Price product is sourced in China. 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, although regulations implementing the quotas have yet to be promulgated. 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.

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 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 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 7 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

Licenses and Distribution Agreements

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The Company's level of licensing activity has expanded in recent years. Royalties paid to licensors during the years ended December 31, 1993, December 31, 1992 and December 31, 1991 were approximately \$69 million, \$50 million and \$39 million, respectively.

The Company also distributes products which are independently designed and manufactured. The Company's agreement for the distribution of the Nintendo Entertainment System and related products in Australia was terminated in December 1993.

Foreign Currency Contracts

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From time to time, the Company enters into foreign currency forward exchange contracts, swaps and options as hedges of inventory purchases and 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 currency fluctuations. The Company does not speculate in foreign currencies.

For additional information regarding foreign currency contracts, see Note 7 to the Consolidated Financial Statements in the Annual Report to Shareholders, incorporated herein by reference.

Seasonal Financing
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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 1993, which was recently replaced (see below), was amended in the first quarter of 1993 to increase the total facility to \$350 million from \$250 million and to release the banks' lien on Mattel's inventory and receivables. Within the total facility, up to \$175.0 million was a standard revolving credit line available for either advances or letters of credit in support of commercial paper issuances. Interest was charged at alternative rates selected by Mattel not greater than the prime rate charged by the agent bank, plus a commitment fee of 3/8 of one percent of the unused line available for advances and 1/2 of one percent of the amount utilized for standby letters of credit. The remaining \$175.0 million was available for nonrecourse purchases of certain trade accounts receivable of Mattel by the commercial bank group providing the credit line. The agreement required Mattel to comply with certain consolidated financial ratios and to maintain certain levels of income.

In 1993, the Company's domestic seasonal borrowings outstanding under the revolving credit agreement and other bank borrowings averaged approximately \$45.1 million and reached a peak of approximately \$167.0 million during the third quarter. This balance was fully repaid by December 31, 1993. The Company's 1993 seasonal borrowings outstanding under foreign credit lines averaged approximately \$55.1 million, reached a peak of approximately \$76.1 million in the third quarter, and were also fully repaid by year end.

Effective in March 1994, the Company renegotiated its revolving credit agreement. The new agreement consists of unsecured facilities providing a total of \$500.0 million in seasonal financing from the same group of commercial banks. The facilities provide for up to \$250.0 million in advances and backup for commercial paper issuances (\$125.0 million of which is a 364-day facility and the other \$125.0 million is a 3-year facility), and up to an additional \$250.0 million (a 3-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.

Concurrently with the consummation of the Fisher-Price Merger, the Fisher-Price domestic seasonal credit line was terminated with a view to financing Fisher-Price's domestic seasonal working capital needs under Mattel's revolving credit agreement. During 1994, the Company expects to finance Fisher-Price's foreign seasonal working capital needs under Mattel's seasonal credit facilities and to terminate Fisher-Price's foreign seasonal credit lines.

Borrowings for seasonal financing were significantly reduced in 1993 primarily as a result of a higher level of cash at the beginning of the year, the issuance by the Company in May 1993 of \$100 million aggregate principal amount of 6-3/4% Notes due 2000 and the utilization of the Company's accounts receivable sales facility.

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.

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 - - - - -

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, 1993. The U.S. Consumer Price Index increased 2.7% in 1993, 2.9% in 1992 and 3.1% in 1991. The Company is afforded some protection from the impact of inflation as a result of high turnover of inventories and benefitted from inflation on the repayment of fixed-rate liabilities during these periods.

Employees - - - - -

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, 1993, the Company's total number of employees, including its international operations, was approximately 21,000.

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	62	Chairman of the Board & Chief Executive Officer	1980
Jill E. Barad	42	President & Chief Operating Officer and a Director of Mattel, Inc.	1984
James A. Eskridge	51	President, Fisher-Price, Inc. and a Director of Mattel, Inc.	1988
Joseph C. Gandolfo	51	President, Mattel Operations	1990
Lindsey F. Williams	57	President, Mattel International and a Director of Mattel, Inc.	1976
Michael G. McCafferty	55	Executive Vice President & Chief Financial Officer	1985
N. Ned Mansour	45	Senior Vice President, General Counsel & Secretary	1992
E. Joseph McKay	53	Senior Vice President, Human Resources and Administration	1993
Gary P. Rolfes	42	Senior Vice President & Controller	1993
William Stavro	54	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.

Mr. McCafferty has been Executive Vice President & Chief Financial Officer since November 1993. From June 1993 to November 1993 and from November 1985 to October 1992 he was Senior Vice President & Treasurer. During the period from October 1992 to June 1993, he was Senior Vice President & Controller.

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
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The Company owns its corporate headquarters consisting of approximately 335,000 square feet in El Segundo, California. The facility is subject to a \$45 million mortgage. The Company also leases two buildings in El Segundo which consist of a total of approximately 250,000 square feet for its design and development and audio-visual departments.

The Company maintains sales offices in California, Illinois, New York and Texas and warehouse and distribution facilities in California 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, The Netherlands, Spain, Switzerland and the United Kingdom. The Company's principal manufacturing facilities, including the Fisher-Price 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 Fisher-Price Merger, Mattel acquired the approximately 288,000 square foot Fisher-Price headquarters building and a second smaller office building in East Aurora, New York and manufacturing, distribution and warehousing facilities in Kentucky, New York, Tennessee, Belgium, Canada, Mexico and the United Kingdom. In addition, Fisher-Price owns or leases office and showroom space in New York, Texas, Belgium, Canada, Denmark, France, Germany, Hong Kong, Italy, Mexico and the United Kingdom. The Company is currently in the process of 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, underutilized or redundant of Mattel facilities.

Item 3. Legal Proceedings
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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 \$850,000.

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
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A Special Meeting of Stockholders of Mattel was held on November 30, 1993 to consider the three proposals described below. Proxies for the meeting were solicited pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and there was no solicitation in opposition to that of management. Each of the proposals was approved based upon the respective tallies of votes set forth below.

Proposal 1: To approve the issuance of shares of Mattel common stock in connection with the Agreement and Plan of Merger, dated as of August 19, 1993, among Mattel, MAT Acquisition, Inc., a wholly-owned subsidiary of Mattel ("Sub"), and Fisher-Price pursuant to which (i) Sub was merged into Fisher-Price and Fisher-Price became a wholly-owned subsidiary of Mattel, and (ii) each outstanding share of Fisher-Price common stock (other than shares owned by Fisher-Price as treasury stock or by its subsidiaries or by Mattel or its subsidiaries, all of which were canceled), were converted into 1.275 shares of Mattel common stock, including the corresponding percentage of rights to purchase Mattel's Series E Junior Participating Preference Stock.

Votes Cast For	Votes Cast Against	Votes Abstaining	Broker Non-votes
----- 76,565,585	----- 761,611	----- 155,626	----- 6,753,524

Proposal 2: To approve an amendment to the Amended & Restated Certificate of Incorporation of Mattel to increase the number of shares of common stock authorized to be issued from 150,000,000 to 300,000,000.

Votes Cast For	Votes Cast Against	Votes Abstaining	Broker Non-votes
----- 80,704,897	----- 2,741,169	----- 790,280	----- 0

Proposal 3: To approve an amendment to the Mattel 1990 Stock Option Plan to increase, above the 1% limitation set forth in the plan, the amount of capital stock that may be the subject of awards granted wholly or partly in stock in 1993 by 3,000,000 shares of capital stock (with any such capital stock which is not the subject of awards in 1993 to be carried forward and available for awards in succeeding calendar years).

Votes Cast For	Votes Cast Against	Votes Abstaining	Broker Non-votes
----- 64,197,291	----- 12,446,002	----- 839,528	----- 6,753,525

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 18, 1994, the Company had approximately 40,000 holders of record of its common stock.

In April 1992 the Company paid a dividend of \$0.026 per share of common stock. The Company paid per share dividends of \$0.040 in July and October of 1992 and in January and April of 1993. In each of July and October of 1993 and January of 1994, the Company paid dividends of \$0.048 per share. The dividends have been adjusted to reflect a three-for-two stock split and a five-for-four stock split which the Company declared on its common stock to holders of record on May 18, 1992 and December 17, 1993, respectively.

Item 6. Selected Financial Data
- - - - -

The information under the caption "Five-Year Financial Summary" on page 27 in the Annual Report to Shareholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Results of Operations
- - - - - and Financial Condition

The information under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 28 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 dated February 8, 1994, 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 1994 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 1994 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 1994 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 1994 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, 1993 and December 31, 1992	32-33
Consolidated Results of Operations for the years ended December 31, 1993, December 31, 1992 and December 31, 1991	34
Consolidated Statements of Cash Flows for the years ended December 31, 1993, December 31, 1992 and December 31, 1991	35
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1993, December 31, 1992 and December 31, 1991	36
Notes to Consolidated Financial Statements	37-50
Report of Price Waterhouse, 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, 1993. 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 balance sheet of Fisher-Price, Inc. and subsidiaries as of January 3, 1993, and the related consolidated statements of income, stockholder's equity and cash flows for the fiscal year then ended. We have also audited the financial statement schedules. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules 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 financial position of Fisher-Price, Inc. and subsidiaries as of January 3, 1993, and the consolidated results of their operations and their cash flows for the fiscal year then ended 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

Boston, Massachusetts
February 4, 1993

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the consolidated statement of income, stockholders' equity and cash flows of Fisher-Price, Inc. (a Delaware Corporation) and subsidiaries for the six months ended December 29, 1991, prior to the restatement (and, therefore, are not presented herein) for the merger between Mattel, Inc. and Fisher-Price, Inc. as described in Note 2 to the Mattel, Inc. and subsidiaries consolidated financial statements included in Mattel, Inc.'s Form 10-K as of December 31, 1993. Fisher-Price, Inc.'s consolidated financial statements and schedules related thereto referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on Fisher-Price, Inc.'s consolidated financial statements and schedules 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 financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Fisher-Price, Inc. and subsidiaries for the six months ended December 29, 1991, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements prior to the restatement, taken as a whole. The schedules, prior to the restatement (and therefore, not presented herein), listed in Part IV, Item 14(a)2 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. Fisher-Price, Inc.'s schedules, prior to restatement, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements, prior to restatement, taken as a whole.

/s/ ARTHUR ANDERSEN & CO.

Rochester, New York
February 11, 1992

- (2) Financial Statement Schedules for the years ended December 31, 1993, December 31, 1992 and December 31, 1991 (1)

Schedule II - Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other than Related Parties

Schedule VIII - 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)

3.0 Restated Certificate of Incorporation of the Company

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 (Multi-Year Facility) dated as of March 18, 1994 among the Company, the Banks named therein and Bank of America National Trust and Savings Association, as Agent (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated March 23, 1994)

10.1 Credit Agreement (364-Day Facility) dated as of March 18, 1994 among the Company, the Banks named therein and Bank of America National Trust and Savings Association, as Agent (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated March 23, 1994)

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

- 10.2 Amended and Restated Transfer and Administration Agreement dated as of March 18, 1994 among the Company, Mattel Sales Corp., the Banks named therein and Nationsbank of Texas, N.A., as Agent (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K dated March 23, 1994)
- 10.3 Underwriting Agreement dated May 19, 1993 between the Company, Morgan Stanley & Co. Incorporated and Kidder, Peabody & Co. Incorporated
- 10.4 Stock Subscription Warrant dated as of June 28, 1991 between Fisher-Price 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)
- 10.5 Third Amended and Restated Credit Agreement dated as of March 19, 1993 among the Company, the Banks named therein, Bank of America National Trust and Savings Association, as Agent and Bank of America National Trust and Savings Association, as Collateral Agent ("Third Amended and Restated Credit Agreement") (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated September 29, 1993)
- 10.6 First Amendment to Third Amended and Restated Credit Agreement, dated as of July 19, 1993, among the Company, the Banks named therein, Bank of America National Trust and Savings Association, as Agent, and Bank of America National Trust and Savings Association, as Collateral Agent (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated September 29, 1993)
- 10.7 Second Amendment to Third Amended and Restated Credit Agreement, dated as of November 8, 1993, among the Company, the Banks named therein, Bank of America National Trust and Savings Association, as Agent and Bank of America National Trust and Savings Association, as Collateral Agent
- 10.8 Transfer and Administration Agreement, dated as of March 19, 1993, among Mattel Sales Corp., Mattel, Inc., the Banks named therein and Nationsbank of Texas, N.A., as Agent (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K dated September 29, 1993)
- 10.9 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)

Executive Compensation Plans and Arrangements of the Company

- 10.10 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)
- 10.11 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)
- 10.12 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)
- 10.13 Form of Amended & Restated Employment Agreement between the Company and certain executive officers
- 10.14 Mattel, Inc. 1993 Management Incentive Plan Highlights
- 10.15 Mattel, Inc. 1993 - 1995 Long-Term Incentive Plan Highlights (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K dated September 29, 1993)
- 10.16 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)
- 10.17 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 year ended December 26, 1987)
- 10.18 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)
- 10.19 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)
- 10.20 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)

- 10.21 Form of First Amendment to Award Agreement
- 10.22 Form of Restricted Stock Award Agreement under the Mattel 1990 Stock Option Plan
- 10.23 Mattel, Inc. Supplemental Executive Retirement Plan (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)
- 10.24 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)

Executive Compensation Plans and Arrangements of Fisher-Price

- 10.25 Form of Employment Agreement, dated August 16, 1993, between Fisher-Price and certain executive officers
- 10.26 Form of Employment Agreement, dated August 16, 1993, between Fisher-Price and an executive officer
- 10.27 Form of Employment Agreement, dated as of March 12, 1993, between Fisher-Price and Ronald J. Jackson (incorporated by reference to Exhibit 10(f)(1) to Fisher-Price's Annual Report on Form 10-K for the fiscal year ended January 3, 1993)
- 10.28 Form of Amendment, dated August 16, 1993, to Employment Agreement, dated as of March 12, 1993, between Fisher-Price and Ronald J. Jackson
- 10.29 Form of Employment Agreement, dated as of February 25, 1992, between Fisher-Price and certain executive officers (incorporated by reference to Exhibit 10(f)(2) to Fisher-Price's Form 10-K for the transition period from July 1, 1991 to December 29, 1991)
- 10.30 Deferred Compensation Plan for Outside Directors of Fisher-Price (incorporated by reference to Exhibit 10(g) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 10.31 Fisher-Price Long-Term Incentive Plan of 1991 (incorporated by reference to Exhibit 10(h) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 10.32 Fisher-Price Executive Incentive Bonus Plan (incorporated by reference to Exhibit 10(i) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)

- 10.33 First Amendment to Executive Incentive Bonus Plan, dated as of February 12, 1992 (incorporated by reference to Exhibit 10(i)(1) to Fisher-Price's Report on Form 10-K for the transition period from July 1, 1991 to December 29, 1991)
- 10.34 The Fisher-Price Management Incentive Bonus Plan (incorporated by reference to Exhibit 10(j) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 10.35 Fisher-Price Matching Savings Plan (incorporated by reference to Exhibit 10(k) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 10.36 The Fisher-Price Pension Plan (1989 Restatement) (incorporated by reference to Exhibit 10(l) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 10.37 The Fisher-Price Profit Sharing and Retirement Savings Plan (1989 Restatement) (incorporated by reference to Exhibit 10(m) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 10.38 The Fisher-Price Deferral and Compensation Adjustment Benefit Plan (incorporated by reference to Exhibit 10(o) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 10.39 The Fisher-Price Salaried Employees Compensation and Benefits Protection Plan (incorporated by reference to Exhibit 10(p) to Fisher-Price's Registration Statement on Form 10 dated June 28, 1991)
- 11.0 Computation of Income per Common and Common Equivalent Share
- 13.0 Pages 27 through 53 of the Mattel, Inc. Annual Report to Shareholders for the year ended December 31, 1993
- 21.0 Subsidiaries of the Registrant
- 23.0 Consent of Price Waterhouse
- 23.1 Consent of Arthur Andersen & Co.
- 23.2 Consent of Coopers & Lybrand
- 24.0 Power of Attorney (on page 28 of Form 10-K)

(b) Reports on Form 8-K

Mattel, Inc. filed the following Current Reports on Form 8-K during the quarterly period ended December 31, 1993

Date of Report	Items Reported	Financial Statements Filed
September 29, 1993	7	None
October 18, 1993	5, 7	None
November 3, 1993	5, 7	None
November 30, 1993	5, 7	None

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

See Item (3) above

(d) Financial Statement Schedules

Schedule II - Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other than Related Parties

Schedule VIII - 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, 23.2, 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.

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 &
Controller

Date: As of March 24, 1994

POWER OF ATTORNEY

We, the undersigned directors and officers of Mattel, Inc. do hereby severally constitute and appoint John W. Amerman, N. Ned Mansour, Michael G. McCafferty, Robert Normile 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 24, 1994
/s/ Michael G. McCafferty ----- MICHAEL G. McCAFFERTY	Executive Vice-President and Chief Financial Officer	March 24, 1994
/s/ Gary P. Rolfes ----- GARY P. ROLFES	Senior Vice-President and Controller	March 24, 1994
/s/ Jill E. Barad ----- JILL E. BARAD	Director, President and Chief Operating Officer	March 24, 1994

Signature -----	Title -----	Date -----
/s/ Harold Brown ----- HAROLD BROWN	Director	March 24, 1994
/s/ James A. Eskridge ----- JAMES A. ESKRIDGE	Director and President, Fisher-Price, Inc.	March 24, 1994
/s/ Tully M. Friedman ----- TULLY M. FRIEDMAN	Director	March 24, 1994
/s/ Ronald J. Jackson ----- RONALD J. JACKSON	Director	March 24, 1994
/s/ E. Robert Kinney ----- E. ROBERT KINNEY	Director	March 24, 1994
/s/ Ronald M. Loeb ----- RONALD M. LOEB	Director	March 24, 1994
/s/ Edward H. Malone ----- EDWARD H. MALONE	Director	March 24, 1994
/s/ John H. Mullin III ----- JOHN H. MULLIN, III	Director	March 24, 1994
/s/ Edward N. Ney ----- EDWARD N. NEY	Director	March 24, 1994
/s/ William D. Rollnick ----- WILLIAM D. ROLLNICK	Director	March 24, 1994
/s/ John L. Vogelstein ----- JOHN L. VOGELSTEIN	Director	March 24, 1994
/s/ Lindsey F. Williams ----- LINDSEY F. WILLIAMS	Director and President, Mattel International	March 24, 1994

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of Mattel, Inc.

Our audits of the consolidated financial statements referred to in our report dated February 8, 1994, appearing on page 51 of the December 31, 1993 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 reports of other auditors also included an audit of the Financial Statement Schedules listed in Item 14(a)(2) of this Form 10-K. In our opinion, based on our audits and the reports of other auditors, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICE WATERHOUSE

Los Angeles, California
February 8, 1994

MATTEL, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

For the Year Ended December 31, 1993

(In thousands)

Name of Debtor (a)	Balance at Beginning of Year	Additions (b)	Deductions		Balance at End of Year	
			Amounts Collected	Amounts Written Off	Current	Not Current
Robert Tezak	\$171	\$0	\$171	\$0	\$0	\$0
Joseph Cusimano	41	0	41	0	0	0
Thomas Ferguson	16	0	16	0	0	0
David Jackman	15	0	15	0	0	0
Jeff Conrad	13	0	13	0	0	0
Richard Penland	12	0	12	0	0	0

(a) All of the above listed individuals are officers of International Games, Inc. ("IGI"), an affiliate of Mattel, Inc.

(b) All of the above amounts are notes receivable which resulted from the exercise of stock options by the above named employees of IGI immediately prior to the February 1992 merger and represent withholding taxes advanced by IGI on behalf of the affected employees. The notes matured on April 15, 1993. All notes, except for Mr. Tezak's, bore interest at 5.5%; Mr. Tezak had two notes as of January 1, 1993 as follows: (1) \$133 which bore interest at 6.2% and (2) \$38 which bore interest at 5.5%.

MATTEL, INC. AND SUBSIDIARIES

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, 1993	\$35,115	\$4,169	(\$18,260)(a)	\$21,024
Year Ended December 31, 1992	31,545	21,665	(18,095)(a)	35,115
Year Ended December 31, 1991	17,130	6,560	7,855 (a)(b)	31,545

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

(b) During 1991, a portion of the allowance was reclassified with the Child World notes receivable to Sundry Assets. Additionally, the Fisher-Price Allowance for Doubtful Accounts as of July 1, 1991 in the amount of \$16.8 million was combined with that of Mattel as a result of the merger, in accordance with pooling of interests accounting.

RESTATED CERTIFICATE OF INCORPORATION

OF

MATTEL, INC.

(Originally incorporated on March 6, 1968)

FIRST: The name of the corporation (hereinafter called the "Company") is MATTEL, INC.

SECOND: The registered office of the Company in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, in the County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The Company is authorized to issue a total of three hundred twenty three million (323,000,000) shares of all classes of stock. Of such total number of authorized shares of stock, three hundred million (300,000,000) shares are Common Stock, each of which shares of Common Stock has a par value of One Dollar (\$1.00), three million (3,000,000) shares are Preferred Stock, each of which shares of Preferred Stock has a par value of One Dollar (\$1.00), and twenty million (20,000,000) shares of Preference Stock, each of which shares of Preference Stock has a par value of one cent (\$0.01).

A statement of the designations of the authorized classes of stock or of any series thereof, and the powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, or of the authority of the Board of Directors to fix by resolution or resolutions such designations and other terms, is as follows:

A. Preferred Stock and Preference Stock:

Shares of Preferred Stock and Preference Stock may be issued from time to time in one or more series.

The Board of Directors is hereby authorized, within the limitations and restrictions stated in this Article FOURTH, to fix by resolution or resolutions the designation of each series of Preferred Stock and Preference Stock and the powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limiting the generality of the foregoing, such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets,

conversion or exchange, and such other subjects or matters as may be fixed by resolution or resolutions of the Board of Directors under the General Corporation Law of Delaware.

If any proposed amendment to the Certificate of Incorporation of the Company would alter or change the preferences, special rights or powers given to any one or more outstanding series of Preferred Stock or Preference Stock so as to affect such series adversely, or would authorize the issuance of a class or classes of stock having preferences or rights with respect to dividends or dissolution or the distribution of assets that would be superior to the preferences or rights of such series of Preferred Stock or Preference Stock, then the holders of each such series of Preferred Stock or Preference Stock so affected by the amendment shall be entitled to vote as a series upon such amendment, and the affirmative vote of two-thirds (2/3) of the outstanding shares of each such series shall be necessary to the adoption thereof, in addition to such other vote as may be required by the General Corporation Law of Delaware.

The number of authorized shares of Preferred Stock and Preference Stock may be increased or decreased by the affirmative vote of the holders of a majority of the stock of the Company entitled to vote, without there being a class vote of the Preferred Stock or Preference Stock.

B. Common Stock:

Subject to all of the preferences and rights of the Preferred Stock and the Preference Stock or a series of either that may be fixed by a resolution or resolutions of the Board of Directors, dividends may be paid on the Common Stock as and when declared by the Board of Directors, out of any funds of the Company legally available for the payment of such dividends.

Except as may otherwise be provided by a resolution or resolutions of the Board of Directors concerning the Preferred Stock and the Preference Stock or a series of either, or by this Certificate of Incorporation or the General Corporation Law of Delaware, the holders of the shares of Common Stock issued and outstanding shall have and possess the exclusive right to notice of stockholders' meetings and the exclusive power to vote.

C. Series E Junior Participating Preference Stock:

The designated powers, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the Series E Junior Participating Preference Stock are as follows:

1. Designation and Amount. The shares of such series shall be designated as "Series E Junior Participating Preference Stock" (the "Series E Preference Stock") and the number of shares constituting the Series E Preference Stock shall be 2,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors;

provided, that no decrease shall reduce the number of shares of Series E Preference Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series E Preference Stock.

2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock, par value \$1.00 per share (the "Preferred Stock"), of the Company or Preference Stock (or any similar stock) ranking prior and superior to the Series E Preference Stock with respect to dividends, the holders of shares of Series E Preference Stock, in preference to the holders of Common Stock, par value \$1.00 per share (the "Common Stock"), of the Company, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series E Preference Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series E Preference Stock. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise that by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series E Preference Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series E Preference Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series E Preference Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series E Preference Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series E Preference Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series E Preference Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series E Preference Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series E Preference Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series E Preference Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series E Preference Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the

numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or Preference Stock or any similar stock, or by law, the holders of shares of Series E Preference Stock and the holders of shares of Common Stock and any other capital stock of the Company having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series E Preference Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series E Preference Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series E Preference Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Preference Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preference Stock, except dividends paid ratably on the Series E Preference Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Preference Stock, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Company ranking junior (as to dividends and upon

dissolution, liquidation and winding up) to the Series E Preference Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series E Preference Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preference Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. **Reacquired Shares.** Any shares of Series E Preference Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preference Stock and may be reissued as part of a new series of Preference Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designation creating a series of Preferred Stock or Preference Stock or any similar stock or as otherwise required by law.

6. **Liquidation, Dissolution or Winding Up.** Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (A) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Preference Stock unless, prior thereto, the holders of shares of Series E Preference Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series E Preference Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (B) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preference Stock, except distributions made ratably on the Series E Preference Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the

outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series E Preference Stock were entitled immediately prior to such event under the provision in clause (A) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series E Preference Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series E Preference Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The shares of Series E Preference Stock shall not be redeemable.

9. Rank. The Series E Preference Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of Preferred Stock or Preference Stock.

10. Amendment. If any proposed amendment to the Certificate of Incorporation would alter or change the preferences, special rights or powers given to the Series E Preference Stock so as to affect the Series E Preference Stock adversely, or would authorize the issuance of a class or classes of stock having preferences or rights with respect to dividends or dissolutions or the distribution of assets that would be superior to the preferences or rights of the Series E Preference Stock, then the holders of the Series E Preference Stock shall be entitled to vote as a series upon such amendment, and the affirmative vote of two-thirds of the outstanding shares of Series E Preference Stock shall

be necessary to the adoption thereof, in addition to such other vote as may be required by the General Corporation Law of the State of Delaware.

D. 12.5% Convertible Preference Stock, Series F:

The designated powers, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, the 12.5% Convertible Preference Stock, Series F, are as follows:

1. Designation. The shares of such series shall be designated as "12.5% Convertible Preference Stock, Series F" (the "Series F Stock")

2. Number of Shares. The number of shares constituting the Series F Stock be and the same is hereby fixed as 864,293 and cannot be increased.

3. Stated Capital. The amount to be represented in stated capital at all times for each share of the Series F Stock shall be its par value of \$.01 per share.

4. Rank. The Series F Stock shall, with respect to dividend rights and rights on liquidation, rank (i) junior to, or on parity with, as the case may be, any other series of the Preferred Stock or Preference Stock established by the Board of Directors, the terms of which shall specifically provide that such series shall rank senior to, or on parity with, as the case may be, the Series F Stock with respect to dividend rights and rights on liquidation, and (ii) prior to any other equity securities of the Company including all classes of the Common Stock, \$1.00 par value per share (collectively, the "Common Stock"), of the Company. (All of such equity securities of the Company to which the Series F Stock rank prior in right of dividends or in liquidation, as the case may be, including all classes of the Common Stock, are at times collectively referred to herein as the "Junior Securities".)

5. Dividends.

(A) From and after November 26, 1991 and prior to the date of conversion thereof, the holders of such stock shall be entitled to receive, out of the assets of the Company at the time legally available therefor and before any dividend or other distribution is declared or paid with respect to the outstanding shares of Common Stock, cumulative cash dividends, as and when declared by the Board of Directors of the Company, at the rate of \$4.882 per share per annum. Such dividends shall be payable in arrears, in equal quarterly installments of \$1.2205 per share on November 26, February 26, May 26 and August 26, or on such other date in November, February, May or August of each year as or shall be designated by the Board of Directors of the Company (each such date is referred to herein as a "Dividend Payment Date" and the quarterly period between consecutive Dividend Payment Dates is referred to herein as a "Dividend Period"); each such quarterly dividend shall be paid to

the holders of record of outstanding shares of Series F Stock as their names shall appear on the share register of the Company on the corresponding Record Date. As used herein, the term "Record Date" means, with respect to the quarterly dividends payable on November 26, February 26, May 26 and August 26, respectively, the preceding November 15, February 15, May 15 and August 15, or such other record date as may be designated by the Board of Directors of the Company in the event that the Board of Directors of the Company designates a Dividend Payment Date other than the 26th day of each such month.

(B) If, on any Dividend Payment Date which is prior to the date of conversion of shares of Series F Stock, full cash dividends pursuant to subclause (A) above are not paid or made available to the holders of outstanding shares of Series F Stock and the funds available to the Company for such purpose shall be insufficient to permit payment in full in cash to all such holders of outstanding shares of Series F Stock of the preferential dividend amounts to which they are then entitled pursuant to subclause (A) above, the entire amount available for payment of cash dividends with respect to the outstanding shares of Series F Stock pursuant to subclause (A) above shall be distributed among the holders of outstanding shares of Series F Stock ratably, in proportion to the full amounts to which they would otherwise be entitled, and any remainder not paid in cash to the holders of outstanding shares of Series F Stock shall cumulate as provided in subclause (C) below.

(C) If, on any Dividend Payment Date which is prior to the date of conversion of shares of Series F Stock, the holders of outstanding shares of Series F Stock shall not have received the full cash dividends to which they are entitled pursuant to sub-clause (A) above, then such unpaid dividends shall cumulate, whether or not declared, until so paid.

(D) In addition to the cumulative dividends payable with respect to outstanding shares of Series F Stock pursuant to subclauses (A), (B) and (C) above, from and after February 26, 1992 and prior to the date (the "ESOP Payment Date") the trustee of the International Games, Inc. ("International") Restated Employee Stock Ownership Plan (the "ESOP") receives written notice of final payment by the ESOP of all amounts due to the Company pursuant to the Loan Agreement dated as of August 1, 1987, or a suitable replacement thereof, between International and the ESOP (the "ESOP Loan Agreement"), the holders of such shares shall be entitled to receive on any Dividend Payment Date in any year, out of the assets of the Company at the time legally available therefor and before any dividend or other distribution is declared or paid with respect to the outstanding shares of Common Stock, noncumulative cash dividends, as and when declared by the Board of Directors of the Company, and in such amounts as the Board of Directors of

the Company shall, in its sole discretion, from time to time determine to be necessary, together with the amount of the Company's annual contribution to the ESOP, to amortize all of the amounts due in such year to the holders of the International's FRESOP Notes, Series 1987 A, or suitable replacements thereof, issued pursuant to the Indenture of Trust, dated as of August 1, 1987, between the International, as issuer, and Bankers Trust Company, as trustee, in accordance with the terms thereof; provided, however, that in no event shall the outstanding shares of Series F Stock be entitled to receive noncumulative dividends pursuant to this subclause (D) in excess of \$.5889 per share per annum. Each such dividend shall be paid to the holders of record of outstanding shares of Series F Stock as their names shall appear on the share register of the Company on the corresponding Record Date.

(E) In addition to the cumulative dividends payable with respect to the outstanding shares of Series F Stock pursuant to subclauses (A), (B) and (C) above and the noncumulative dividends payable with respect to such shares pursuant to subclause (D) above, if, on any Dividend Payment Date which is prior to the date of conversion of shares of Series F Stock, after the payment of all dividends, if any, with respect to the outstanding shares of Series F Stock pursuant to subclauses (A), (B), (C) and (D) above, any dividend shall be declared by the Board of Directors of the Company with respect to the outstanding shares of Common Stock, the holders of outstanding shares of Series F Stock on the applicable Record Date for the dividend on the Common Stock shall be entitled to receive on the applicable Dividend Payment Date dividends in such amount as they would be entitled to receive if their shares of Series F Stock had been converted into shares of Common Stock on the applicable Record Date.

6. Distributions Upon Liquidation, Dissolution or Winding Up.

(A) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company which is prior to the ESOP Payment Date, after the payment in full of all preferential liquidation amounts to which the holders of outstanding shares of Preferred Stock or Preference Stock ranking senior to the Series F Stock shall be entitled, but before any distribution or payment shall be made to the holders of outstanding shares of Common Stock, the holders of outstanding shares of Series F Stock shall be entitled to receive, out of the assets of the Company at the time legally available therefor, an amount equal to the positive sum, if any, of (x) \$39.056 per share, together with all dividends accrued (whether or not declared) during the dividend period in which such liquidation, dissolution or winding up occurs and all cumulated and unpaid dividends, if any, accrued during any prior dividend periods, less (y) the quotient obtained by dividing the principal amount of the indebtedness of the ESOP to the Company pursuant to the

ESOP Loan Agreement outstanding on the date of such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company by 864,293. If, upon any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the assets of the Company legally available therefor after the payment in full of all preferential liquidation amounts to which the holders of outstanding shares of Preferred Stock or Preference Stock ranking senior to the Series F Stock shall be entitled but before any distribution or payment shall be made to the holders of outstanding Junior Securities, shall be insufficient to permit the payment in full to the holders of outstanding shares of Series F Stock of the preferential liquidation amounts to which they are then entitled, the entire assets of the Company thus distributable shall be distributed among the holders of outstanding shares of Series F Stock ratably, in proportion to the full amounts to which such holders would otherwise be entitled if such assets were sufficient to permit payment in full. In addition, after the payment in full of all preferential liquidation amounts to which the holders of outstanding shares of Series F Stock shall be entitled, the holders of all outstanding shares of Common Stock, and the holders of outstanding shares of Series F Stock shall be entitled to receive the entire assets of the Company available for distribution, ratably with the holders of outstanding shares of Common Stock, in proportion to the ratio which the total number of shares of Common Stock into which the outstanding shares of Series F Stock would be convertible on the effective date of such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company bears to the total number of shares of Common Stock deemed to be outstanding on such date (assuming for this purpose the conversion of all outstanding shares of Series F Stock on such effective date). Each holder of outstanding shares of Series F Stock shall be entitled to receive that portion of the assets of the Company available for distribution which the number of shares of Common Stock issuable upon conversion of such holder's shares of Series F Stock bears to the total number of shares of Common Stock deemed to be outstanding on the effective date of such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

(B) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company which is after the ESOP Payment Date, after the payment in full of all preferential liquidation amounts to which the holders of outstanding shares of Preferred Stock or Preference Stock ranking senior to the Series F Stock shall be entitled, but before any distribution or payment to the holders of Junior Securities, the holders of outstanding shares of Series F Stock shall be entitled to receive out of the assets of the Company at the time legally available therefor, an amount equal to \$39.056 per share, together with all dividends accrued (whether or not declared) during the dividend period in which such liquidation, dissolution or

winding up occurs and all cumulated and unpaid dividends, if any, accrued during any prior Dividend Periods. In addition, after the payment in full of all preferential liquidation amounts to which the holders of outstanding shares of Series F Stock shall be entitled, the holders of outstanding shares of Series F Stock shall be entitled to receive the entire assets of the Company available for distribution, ratably with the holders of outstanding shares of Common Stock, in proportion to the ratio which the total number of shares of Common Stock into which the outstanding shares of Series F Stock would be convertible on the effective date of such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company bears to the total number of shares of Common Stock deemed to be outstanding on such date (assuming for this purpose the conversion of all outstanding shares of Series F Stock on such effective date). Each holder of outstanding shares of Series F Stock shall be entitled to receive that portion of the assets of the Company available for distribution which the number of shares of Common Stock issuable upon conversion of such holder's shares of Series F Stock bears to the total number of shares of Common Stock deemed to be outstanding on the effective date of such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company as set forth above.

7. Redemption. The shares of Series F Stock shall not be redeemable by the Company.

8. Conversion.

(A) From and after the Date of Issuance of shares of Series F Stock and prior to the expiration of thirty days following the ESOP Payment Date, each share of Series F Stock shall be convertible, at the option of the holder thereof, into one fully-paid and nonassessable share of Common Stock of the Company, subject to adjustment as hereinafter set forth in subclause (E) below.

(B) From and after the thirty-first day following the ESOP Payment Date, each share of Series F Stock shall be convertible, at the option of the holder thereof, into .3644353 of a fully-paid and nonassessable share of Common Stock of the Company, subject to adjustment as hereinafter set forth in subclause (E) below.

(C) To exercise such conversion option, the holder of shares of Series F Stock shall surrender the certificate or certificates representing the shares of Series F Stock to be converted, duly endorsed for transfer to the Company, at the principal executive office of the Company, and shall give written notice, postage prepaid, by certified or registered mail, return receipt requested, or by hand delivery to the Company at its principal executive office, of the

election of such holder to convert all or a portion of the shares of Series F Stock represented by the certificate or certificates surrendered into shares of Common Stock which notice shall set forth the name or names in which the certificate or certificates representing the shares of Common Stock to be issued upon conversion are to be issued. Conversion shall be deemed to have been effected on the date of receipt by the Company of such notice and the certificate or certificates to be surrendered for conversion (the "Conversion Date"). As promptly as practicable thereafter, the Company shall issue to or upon the written order of such holder, a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled. The conversion of shares of Series F Stock into shares of Common Stock shall be deemed to be effective and such holder, or the person or persons designated by such holder, shall be deemed to have become a holder of record of the shares of Common Stock issuable upon conversion of such shares of Series F Stock on the applicable Conversion Date unless the transfer books of the Company are closed on such date, in which event such holder shall be deemed to have become a holder of record of the shares of Common Stock issued upon conversion of the shares of Series F Stock on the next succeeding date on which the transfer books of the Company are open. Upon conversion of only a portion of the number of shares of Series F Stock represented by a certificate or certificates surrendered for conversion, the Company shall issue and deliver to or upon the written order of the holder of the certificate or certificates so surrendered a new certificate or certificates representing the number of shares of Series F Stock not so converted.

(D) No fractional shares of Common Stock shall be issued upon conversion of shares of Series F Stock. In lieu of issuing fractional shares of Common Stock upon conversion of shares of Series F Stock, the Company shall pay a cash adjustment in respect of such fractional shares of Common Stock equal to the fair market value thereof as determined by the Board of Directors of the Company. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of outstanding shares of Series F Stock, the full number of shares of Common Stock deliverable upon the conversion of all shares of Series F Stock from time to time outstanding.

(E) The number of shares of Common Stock into which a share of Series F Stock shall be convertible as set forth in subclauses (A) and (B) above, shall be subject to adjustment from time to time as follows:

(i) In case the Company shall at any time subdivide its outstanding shares of Common Stock or shall issue a dividend or other distribution payable in shares of Common Stock, the number of shares of Common Stock into which a share of Series F Stock shall be convertible shall be

proportionately increased, effective immediately after the effective date of such subdivision or at the close of business on the record date fixed by the Board of Directors of the Company for such dividend or other distribution, as the case may be;

(ii) In case the Company shall at any time combine its outstanding shares of Common Stock, the number of shares of Common Stock into which a share of Series F Stock shall be convertible shall be proportionately decreased, effective immediately after the effective date of such combination; and

(iii) In case the Company shall at any time recapitalize or reclassify its capital stock, or in case of any consolidation or merger of the Company with or into any other person (other than a consolidation or merger in which the Company is the continuing entity and which does not result in any change in the capital stock of the Company) or in case of the sale or other disposition of all or substantially all the assets of the Company to any other person, then in each such case each outstanding share of Series F Stock shall after such recapitalization, reclassification, consolidation, merger, sale or other disposition be convertible into the kind and number of shares of capital stock or other securities or assets of the Company or of the entity resulting from such consolidation or surviving such merger or to which such assets shall have been sold or otherwise disposed of to which the holder thereof would have been entitled if immediately prior to such recapitalization, reclassification, consolidation, merger, sale or other disposition such holder had converted its shares of Series F Stock. The provisions set forth above shall apply to successive recapitalization, reclassifications, consolidations, mergers, sales or other dispositions.

(F) All shares of Common Stock issued upon conversion of shares of Series F Stock shall, upon issuance by the Company, be duly and validly issued, fully-paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof.

9. Voting Rights. The holders of shares of Series F Stock shall be entitled to vote on or otherwise consent to any matter requiring the vote or consent of the stockholders of the Company under the laws of the State of Delaware. Each holder of outstanding shares of Series F Stock shall be entitled to one vote for each whole share of Common Stock into which such holder's outstanding shares of Series F Stock would be convertible immediately after the close of business on the record date fixed by the Board of Directors of the Company for determining the stockholders of the Company entitled to vote or otherwise consent to such matter; provided, however, that in the event (x) the Company shall fail to pay cumulative dividends in full on the outstanding shares of Series F Stock for a period of

four consecutive Dividend Periods, or (y) the Company shall fail to pay cumulative dividends in full on the outstanding shares of Series F Stock for a period of eight Dividend Periods, in either case after the expiration of thirty days following the ESOP Payment Date, each holder of outstanding shares of Series F Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock which such holder would have been entitled to receive if the shares of Series F Stock held by such holder had been converted into shares of Common Stock prior to the expiration of thirty days following the ESOP Payment Date until such time as all cumulative dividends in arrears with respect to the shares of Series F Stock shall have been paid in full. Except as otherwise required by the laws of the State of Delaware, the holders of outstanding shares of Series F Stock shall vote together with the holders of outstanding shares of Common Stock as a single class.

FIFTH: At all elections of Directors of the Company, each stockholder who is entitled to vote upon such election shall be entitled to as many votes as shall be equal to the number of votes which (except for this provision as to cumulative voting) he would be entitled to cast for the election of Directors with respect to his shares of stock multiplied by the number of Directors to be elected, and he may cast all of such votes for a single Director or may distribute them among the number to be voted for or for any two or more of them, as he sees fit.

SIXTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the Bylaws of the Company.

SEVENTH: The Company shall indemnify any and all persons whom it has the power to indemnify pursuant to the Delaware General Corporation Law against any and all expenses, judgments, fines amounts paid in settlement, and any other liabilities to the fullest extent permitted by such Law and may, at the discretion of the Board of Directors, purchase and maintain insurance, at its expense, to protect itself and such persons against any such expense, judgment, fine, amount paid in settlement or other liability, whether or not the Company would have the power to so indemnify such person under the Delaware General Corporation Law.

A director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Company shall not adversely affect any right or protection of a director of the Company existing at the time of such repeal or modification.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of the Company as heretofore amended, supplemented or restated and there being no discrepancies between those provisions and the provisions of this Restated Certificate of Incorporation and it having been duly adopted in accordance with Section 245 of the General Corporation Law of the State of Delaware by the Executive Committee of the Board of Directors, which Committee is authorized to act on behalf of the Company's Board of Directors, has been executed by its Vice President and attested by its Secretary on this 30th day of November, 1993.

Mattel, Inc.

By: /s/ Judy A. Willis

Vice President

Attest:

By: /s/ N. Ned Mansour

Secretary

\$100,000,000

MATTEL, INC.

6 3/4% NOTES DUE 2000

UNDERWRITING AGREEMENT

May 19, 1993

May 19, 1993

Morgan Stanley & Co. Incorporated
Kidder, Peabody & Co. Incorporated
c/o Morgan Stanley & Co.
Incorporated
1251 Avenue of the Americas
New York, New York 10020

Ladies and Gentlemen:

Mattel, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters") \$100,000,000 principal amount of its 6 3/4% Notes due May 15, 2000 (the "Securities") to be issued pursuant to the provisions of an Indenture dated as of May 15, 1993 (the "Indenture") between the Company and PNC Bank, National Association, as Trustee (the "Trustee").

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, including a prospectus, relating to the Securities. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "Securities Act"), is hereinafter referred to as the Registration Statement; the prospectus in the form first used to confirm sales of Securities is hereinafter referred to as the Prospectus. Any reference herein to the Registration Statement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein, and any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing after the execution hereof of any document with the Commission deemed to be incorporated by reference therein.

I.

The Company represents and warrants to each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened to the Company by the Commission.

(b) (i) Each document, if any, filed or to be filed pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by

reference in the Prospectus complied or will comply when so filed in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder, (ii) Each part of the Registration Statement, when such part became effective, did not contain and each such part, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (iii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iv) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph I(b) do not apply (A) to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein or (B) to that part of the Registration Statement that constitutes the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), of the Trustee.

(c) The financial statements of the Company and its subsidiaries set forth in the Registration Statement and Prospectus fairly present the financial condition of the Company and its subsidiaries as of the dates indicated and the results of operations and changes in financial position for the periods therein specified in conformity with generally accepted accounting principles consistently applied throughout the periods involved (except as otherwise stated therein).

(d) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus except to the extent that the failure of any such subsidiary, singly or in the aggregate, to be so duly incorporated or validly existing or to have such corporate power and authority, would not have a material adverse effect on the Company and its subsidiaries taken as a whole or on the business of the Company and its subsidiaries in any individual country as described in the Prospectus. Each subsidiary of the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of

its business or its ownership or leasing of property requires such qualification, except to the extent that the failure of any such subsidiary, singly or in the aggregate, to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries taken as a whole or on the business of the Company and its subsidiaries in any individual country as described in the Prospectus.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The Indenture has been duly qualified under the Trust Indenture Act and has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

(h) The Securities have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, will be entitled to the benefits of the Indenture, and will be valid and binding obligations of the Company, enforceable in accordance with their terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Indenture and the Securities will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, the Indenture or the Securities, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Securities.

(j) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus.

(k) There are no legal or governmental proceedings pending or threatened to the Company to which the Company or any of its subsidiaries is a party or to

which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement, the Prospectus or any documents incorporated by reference in the Registration Statement or the Prospectus that are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement, the Prospectus or any documents incorporated by reference in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not so described or filed as required.

(l) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the rules and regulations of the Commission thereunder.

(m) The Company and its subsidiaries own or possess the patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names presently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in any material adverse change, or any notice of any other development with respect to the foregoing involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, except as may be described in writing to, and accepted for exclusion by, the Underwriters.

(n) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

(o) The Company and its subsidiaries are (i) in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) In the ordinary course of its business, the Company conducts a periodic review of the effect of Environmental Laws on the business, operations and properties

of the Company and its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Company has reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) Neither the Company nor any of its subsidiaries has, directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent, government official or other party, in the United States or any other country, which is in any manner related to the business, assets or operations of Company or any of its subsidiaries, which is, or may be with the passage of time or discovery, illegal under any federal, state or local laws of the United States (including without limitation the U.S. Foreign Corrupt Practices' Act) or any other country having jurisdiction; and neither the Company nor any of its subsidiaries has participated, directly or indirectly, in any boycotts or other similar practices affecting any of its actual or potential customers and has at all times done business in an open and ethical manner.

(r) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or any affiliate located in Cuba.

II.

The Company hereby agrees to sell to the several Underwriters, and the Underwriters, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agree, severally and not jointly, to purchase from the Company the respective principal amounts of Securities set forth in Schedule I hereto opposite their names at 99.35% of their principal amount -- the purchase price -- plus accrued interest, if any, from May 15, 1993 to the date of payment and delivery.

III

The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Securities as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Securities are to be offered to the public initially at 100% of their principal amount -- the public offering price -- plus accrued interest, if any, and to certain dealers selected by you at a price that represents a concession not in excess of .40% of their principal amount under the public offering price, and that any Underwriter

may allow, and such dealer may reallow, a concession, not in excess of .25% of their principal amount, to any Underwriter or to certain other dealers.

IV.

Payment for the Securities shall be made by certified or official bank check or checks payable to the order of the Company in New York Clearing House funds at the office of Latham & Watkins, 633 W. Fifth Street, Los Angeles, California at 7:00 A.M., local time, on May 26, 1993 or at such other time on the same or such other date, not later than June 3, 1993, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the Closing Date.

Payment for the Securities shall be made against delivery to you for the respective accounts of the several Underwriters of the Securities registered in such names and in such denominations as you shall request in writing not later than two full business days prior to the date of delivery, with any transfer taxes payable in connection with the transfer of the Securities to the Underwriters duly paid.

V.

The obligations of the Company and the several obligations of the Underwriters hereunder are subject to the condition that the Registration Statement shall have become effective not later than the date hereof.

The several obligations of the Underwriters hereunder are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date,

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, of the Company and its subsidiaries, taken as a whole, from that set forth in the Registration Statement, that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Securities on the terms and in the manner contemplated in the Prospectus; and

(iii) the Prospectus shall have been filed as required hereunder; and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been instituted or, to the knowledge of the Company or any Underwriter, threatened by the Commission, and any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to your satisfaction.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in clause (a) above (except as to the knowledge of the Underwriters in clause (a)(iii)) and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his knowledge as to proceedings threatened.

(c) You shall have received on the Closing Date an opinion of Irell & Manella, counsel for the Company, dated the Closing Date, to the effect that

(i) the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in the state of California;

(ii) this Agreement has been duly authorized, executed and delivered by the Company;

(iii) the Indenture has been duly qualified under the Trust Indenture Act and has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable in accordance with its terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (b) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability;

(iv) the Securities have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company, enforceable in accordance with their terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (b) rights of

acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability;

(v) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Securities and the Indenture will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or, any agreement or other instrument binding upon the Company or any of its subsidiaries that is listed by the Company in an officer's certificate by the Company as significant agreements (which officer's certificate shall be provided to, and approved by, the Underwriters) or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of or qualification with any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, the Securities and the Indenture, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Securities;

(vi) to the best of such counsel's knowledge, neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names presently employed by them in connection with the business now operated by the Company or its subsidiaries which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in any material adverse change, or notice of any other development with respect to the foregoing involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries, taken as a whole, except as may be disclosed in writing by the Company to, and accepted for exclusion by, the Underwriters;

(vii) the statements (1) in the Prospectus under the captions "Description of Notes," "Certain Federal Income Tax Consequences" and "Underwriting" and (2) in the Registration Statement under Item 15, in each case insofar as such statements constitute summaries of the legal matters, documents and proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(viii) to the best of such counsel's knowledge after due inquiry, there are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties

of the Company or any of its subsidiaries is subject or any development in such proceedings that are required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference in the Registration Statement or the Prospectus that are not so described and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement, the Prospectus or any documents incorporated by reference in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not so described or filed as required;

(ix) the Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended; and

(x) the Registration Statement has become effective under the Act; the Prospectus has been filed as required hereunder; and to the best knowledge of such counsel no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or threatened by the Commission;

(xi) such counsel (1) is of the opinion that each document filed pursuant to the Exchange Act and incorporated by reference in the Registration Statement and the Prospectus (except for financial statements and schedules as to which such counsel need not express any opinion) complied when so filed as to form in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder and (2) is of the opinion that the Registration Statement and the Prospectus (except for financial statements and schedules included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act or the Exchange Act, as the case may be, the rules and regulations of the Commission thereunder and the Trust Indenture Act;

(xii) no facts have come to the attention of such counsel that would lead such counsel to believe that (1) (except for financial statements and schedules as to which such counsel need not express any belief and except for that part of the Registration Statement that constitutes the Form T-1 heretofore referred to) the Registration Statement and the prospectus included therein at the time the Registration Statement (and the documents incorporated by reference in the Registration Statement and such prospectus) became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (2) (except for financial statements and schedules as to which such counsel need not express any belief) the Prospectus and the documents incorporated by reference therein as of the Closing Date contain an untrue statement of a material fact or omit to state a material fact necessary in

order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) You shall have received on the Closing Date an opinion of the general counsel of the Company, dated the Closing Date, to the effect that

(i) the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries taken as a whole;

(ii) based upon opinions, oral or written, of foreign counsel, each of the subsidiaries of the Company meeting the definition of "Significant Subsidiary" under Regulation S-X of the Securities and Exchange Commission has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on such subsidiary;

(iii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Securities and the Indenture will not contravene any agreement or other instrument binding upon the Company or any of its subsidiaries that is material, individually or in the aggregate, to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of or qualification with any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, the Securities and the Indenture, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Securities;

(iv) the Company and its subsidiaries own or possess the patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names presently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the

subject of an unfavorable decision, ruling or finding, would result in any material adverse change, or notice of any other development with respect to the foregoing involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries, taken as a whole, except as may be disclosed in writing by the Company to, and accepted for exclusion by, the Underwriters;

(v) there are no legal or governmental proceedings pending or threatened to the Company to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject or any development in such proceedings that are required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference in the Registration Statement or the Prospectus that are not so described and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement, the Prospectus or any documents incorporated by reference in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not so described or filed as required;

(vi) such counsel (1) is of the opinion that each document filed pursuant to the Exchange Act and incorporated by reference in the Registration Statement and the Prospectus (except for financial statements and schedules as to which such counsel need not express any opinion) complied when so filed as to form in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder and (2) is of the opinion that the Registration Statement and the Prospectus (except for financial statements and schedules included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act or the Exchange Act, as the case may be, the rules and regulations of the Commission thereunder and the Trust Indenture Act;

(vii) no facts have come to the attention of such counsel that would lead such counsel to believe that (1) (except for financial statements and schedules as to which such counsel need not express any belief and except for that part of the Registration Statement that constitutes the Form T-1 heretofore referred to) the Registration Statement and the prospectus included therein at the time the Registration Statement (and the documents incorporated by reference in the Registration Statement and such prospectus) became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (2) (except for financial statements and schedules as to which such counsel need not express any belief) the Prospectus and the documents incorporated by reference therein as of the Closing Date contain an untrue statement of a material fact or omit to state a material fact necessary in

order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) You shall have received on the Closing Date an opinion of Latham & Watkins, special counsel for the Underwriters, dated the Closing Date, covering the matters referred to in subparagraphs (ii), (iii), (iv), (vii) (but only as to the statements in the Prospectus under "Description of Notes" and "Underwriting") and that nothing has come to their attention with respect to the matters in subparagraph (xii) of paragraph (c) above.

With respect to subparagraph (xii) of paragraph (c) above, Irell & Manella may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and the Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification except as specified. With respect to subparagraph (xii) of paragraph (e) above, Latham & Watkins may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto (other than the documents incorporated by reference) and review and discussion of the contents thereof (including documents incorporated by reference), but are without independent check or verification except as specified.

The opinion of Irell & Manella described in paragraph (c) above shall be rendered to you at the request of the Company and shall so state therein.

(f) You shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to you, from Price Waterhouse, independent public accountants for the Company, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in or incorporated by reference into the Registration Statement and the Prospectus.

(g) Prior to or on the Closing Date, the Company shall have furnished to the Underwriters such further information, certificates, opinions and documents as the Underwriters may reasonably request.

VI.

In further consideration of the agreements of the Underwriters herein contained, the Company covenants as follows:

(a) The Company will cause the Prospectus to be filed as required hereunder (but only if you have not reasonably objected thereto by notice to the Company after having been furnished a copy a reasonable time prior to filing) and will notify you promptly of such filing; it will notify you promptly of the time when

any subsequent amendment to the Registration Statement has become effective or any supplement to the Prospectus has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or for additional information; it will prepare and file with the Commission, promptly upon your request, any amendments or supplements to the Registration Statement or Prospectus that, in your opinion, may be necessary or advisable in connection with the distribution of the Securities by the Underwriters; it will file no amendment or supplement to the Registration Statement or Prospectus (other than any document required to be filed under the Exchange Act that upon filing is deemed to be incorporated by reference therein) to which you shall reasonably object by notice to the Company after having been furnished a copy a reasonable time prior to the filing; and it will furnish to you at or prior to the filing thereof a copy of any document that upon filing is deemed to be incorporated by reference in the Registration Statement or Prospectus.

(b) To furnish to you, without charge, three signed copies of the Registration Statement (including exhibits thereto and all documents incorporated by reference therein) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto but including all documents incorporated by reference therein) and, during the period mentioned in paragraph (c) below, as many copies of the Prospectus, any documents incorporated by reference therein and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(c) The Company will advise you, promptly after it shall receive notice or obtain knowledge thereof, of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; and it will promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued.

(d) If, during such period after the first date of the public offering of the Securities as in the opinion of your counsel the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus so that it does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of your counsel, it is necessary to amend or supplement the Prospectus to comply with law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Securities may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of

the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(e) To endeavor to qualify the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request and to pay all expenses (including fees and disbursements of counsel) in connection with such qualification and in connection with the determination of the eligibility of the Securities for investment under the laws of such jurisdictions as you may designate.

(f) During the period beginning on the date hereof and continuing to and including the Closing Date, not to offer, sell, contract to sell or otherwise dispose of any debt securities of the Company or warrants to purchase debt securities of the Company substantially similar to the Securities (other than (i) the Securities and (ii) commercial paper issued in the ordinary course of business), without your prior written consent.

(g) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending June 30, 1994 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(h) To pay all document production charges and expenses of Latham & Watkins, special counsel for the Underwriters (but not including their fees for professional services), in connection with the preparation of this Agreement.

VII.

The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls such Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Underwriter or any such controlling person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and

each person, if any, who controls the Company within the meaning either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either of the two preceding paragraphs, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley & Co. Incorporated, in the case of parties indemnified pursuant to the second preceding paragraph, and by the Company, in the case of parties indemnified pursuant to the first preceding paragraph. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

If the indemnification provided for in the first or second paragraph of this Article VII is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Securities (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate public offering price of the Securities. The relative fault of the Company on the one hand and of the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Article VII are several in proportion to the respective principal amounts of Securities they have purchased hereunder, and not joint.

The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Article VII were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Article VII, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Article VII are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

The indemnity and contribution provisions contained in this Article VII and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Securities.

VIII.

This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (iv), such event singly or together with any other such event makes it, in your judgment, impracticable to market the Securities on the terms and in the manner contemplated in the Prospectus.

IX.

This Agreement shall become effective upon the later of (x) execution and delivery hereof by the parties hereto and (y) release of notification of the effectiveness of the Registration Statement by the Commission.

If, on the Closing Date, any one or more of the Underwriters shall fail or refuse to purchase Securities that it or they have agreed to purchase hereunder on such date, and the aggregate principal amount of Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate principal amount of the Securities to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the principal amount of Securities set forth opposite their respective names in Schedule I bears to the principal amount of Securities set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the principal amount of Securities that any Underwriter has agreed to purchase pursuant to Article II be increased pursuant to this Article IX by an amount in excess of one-ninth of such principal amount of Securities without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters

shall fail or refuse to purchase Securities and the aggregate principal amount of Securities with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Securities to be purchased on such date, and arrangements satisfactory to you and the Company for the purchase of such Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

Very truly yours,

MATTEL, INC.

By: /s/ Francesca Luzuriaga

Name: Francesca Luzuriaga
Title: Senior Vice President &
Treasurer

ACCEPTED, May 19, 1993

MORGAN STANLEY & CO. INCORPORATED
KIDDER, PEABODY & CO. INCORPORATED

By MORGAN STANLEY & CO. INCORPORATED

By: /s/ C. Daniel Ewell

C. Daniel Ewell
Vice President

SCHEDULE I

Principal
Amount of
Securities
to be
Purchased

Underwriter

Morgan Stanley & Co. Incorporated	\$ 50,000,000
Kidder, Peabody & Co. Incorporated.	50,000,000

Total	\$100,000,000
	=====

SECOND AMENDMENT TO
THIRD AMENDED AND RESTATED CREDIT AGREEMENT
AND MATTEL SALES CONTINUING GUARANTY

THIS SECOND AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT AND MATTEL SALES CONTINUING GUARANTY (this "Second Amendment") is dated as of November 8, 1993 and is entered into by and among MATTEL, INC., a Delaware corporation (the "Company"), THE FINANCIAL INSTITUTIONS LISTED ON THE SIGNATURE PAGES HEREOF (individually referred to herein as a "Bank" and collectively as the "Banks"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION as the agent for the Banks (the "Agent") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION as the collateral agent for the Banks (the "Collateral Agent") and amends (a) the Third Amended and Restated Credit Agreement dated as of March 19, 1993 among the Company, the Banks, the Agent and the Collateral Agent, as amended by a First Amendment to Third Amended and Restated Credit Agreement dated as of July 19, 1993 (as so amended, the "Credit Agreement") and (b) the Continuing Guaranty executed by Mattel Sales Corp. dated as of March 19, 1993 in favor of the Collateral Agent.

PRELIMINARY STATEMENTS.

A. The parties hereto desire to release all Collateral pledged under the Collateral Documents. In furtherance thereof, the parties hereto desire to terminate all Collateral Documents, including without limitation the Pledge and Security Agreement, the Receivables Purchase Subordination Agreement, the Mattel Sales Security Agreement, and the Intercreditor Agreement.

B. The Company is acquiring Fisher-Price in the Fisher-Price Acquisition and the parties hereto desire to amend the Credit Agreement to permit the Fisher-Price Acquisition.

C. The parties hereto desire to amend certain other provisions of the Loan Documents.

In consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Terms. All capitalized terms used herein shall have the same meanings as in the Loan Documents unless otherwise defined herein. All references to the Loan Documents shall mean the Loan Documents as hereby amended.

2. Amendments to Credit Agreement. The parties hereto agree that the Credit Agreement is amended as follows:

2.1 All references to "Collateral," "Collateral Agent," "Collateral Documents" and "Intercreditor Agreement" are hereby deleted. From and after the effective date hereof, the Collateral Agent shall no longer be a party to any Loan Document.

2.2 Section 1.1 of the Credit Agreement is amended by inserting the following new definitions in proper alphabetical order:

"'Fisher-Price' means Fisher-Price, Inc., a Delaware corporation.

"'Fisher-Price Acquisition' means the transaction contemplated by that certain Agreement and Plan of Merger dated as of August 19, 1993 among the Company, Mat Acquisition, Inc. and Fisher-Price.

2.3 Section 5.12 of the Credit Agreement is deleted in its entirety and "Intentionally left blank" is inserted in lieu thereof.

2.4 Section 8.1(c)(ii) of the Credit Agreement is amended by replacing "and" before "8.8" in the last line thereof with a comma and inserting "and 8.10" immediately before the semi-colon at the end of such subsection.

2.5 A new Section 8.10 is inserted immediately following Section 8.9 of the Credit Agreement as follows:

"8.10 Interest Coverage Ratio. The Company shall not permit, as of the last day of each fiscal quarter, the ratio of (a) the sum of (i) its net income from continuing operations, for the four consecutive fiscal quarters ending on such date, before (A) special items, (B) minority interest, (C) gains on reacquisition of debt, plus (ii) income taxes accrued for the four consecutive fiscal quarters ending on such date, plus (iii) interest accrued for the four consecutive fiscal quarters ending on such date, excluding capitalized interest and without regard to interest income plus (iv) depreciation and

amortization for the four consecutive fiscal quarters ending on such date to (b) interest incurred for the four consecutive fiscal quarters ending on such date, including capitalized interest and without regard to interest income, to be less than 3.5 to 1."

2.6 Section 9.1 of the Credit Agreement is amended by deleting "and" at the end of subsection (p), replacing the period at the end of subsection (q) with "; and" and inserting a new subsection (r) immediately following subsection (q) as follows:

"(r) The Company and its Subsidiaries may remain liable in respect of Indebtedness of Fisher-Price; provided, however, that such Indebtedness existed on the date of the Fisher-Price Acquisition and was not incurred in anticipation thereof; provided, further, that such Indebtedness does not otherwise cause a Default or Event of Default hereunder."

2.7 Section 9.2 of the Credit Agreement is amended by deleting "and" at the end of subsection (o), replacing the period at the end of subsection (p) with "; and" and inserting a new subsection (q) immediately following subsection (p) as follows:

"(q) Any Liens on assets of Fisher-Price; provided, however, that such Liens existed on the date of the Fisher-Price Acquisition and were not created in anticipation thereof; provided, further, that such Liens do not otherwise cause a Default or Event of Default hereunder."

2.8 Section 9.4 of the Credit Agreement is amended by deleting "and" at the end of subsection (l), replacing the period at the end of subsection (m) with "; and" and inserting a new subsection (n) immediately following subsection (m) as follows:

"(n) Contingent Obligations of Fisher-Price; provided, however, that such Contingent Obligations existed on the date of the Fisher-Price Acquisition and were not incurred in anticipation thereof; provided, further, that such Contingent Obligations do not otherwise cause a Default or Event of Default hereunder."

2.9 Section 9.5 of the Credit Agreement is amended by deleting "and" at the end of subsection (b), replacing the period at the end of subsection (c) with "; and" and inserting a new subsection (d) immediately following subsection (c) as follows:

"(d) the Company may make payments or issue common stock in respect of warrants to purchase common stock of Fisher-Price pursuant to the terms of such warrants; provided, however, that such warrants existed on the date of the Fisher-Price Acquisition and were not issued in anticipation thereof; provided, further, that such payments or issuances do not otherwise cause a Default or Event of Default hereunder."

2.10 Section 9.6 of the Credit Agreement is amended by deleting "and" at the end of subsection (c) and amending and restating subsection (d) as follows:

"(d) The Company may acquire the stock or assets of other companies engaged in the business of the manufacture and sale of toys in exchange for capital stock of the Company issued after the Effective Date or the proceeds thereof; provided that the Company may not acquire the stock or assets of any Person that results in a Material Adverse Effect; and

"(e) The Company and its Subsidiaries may consummate the Fisher-Price Acquisition."

2.11 Section 9.7 of the Credit Agreement is amended by deleting "and" at the end of subsection (b), replacing the period at the end of subsection (c) with "; and" and inserting a new subsection (d) immediately following subsection (c) as follows:

"(d) Fisher-Price and its Subsidiaries may sell accounts receivable owed by obligors located outside the United States generated by foreign offices of Fisher-Price and such Subsidiaries in the ordinary course of business."

2.12 Section 9.9 of the Credit Agreement is amended and restated in its entirety as follows:

"9.9 Restriction on Operating Leases. The Company will not, and will not permit any of its Domestic Subsidiaries to, become liable in any way, whether directly or by assignment or as a guarantor or other surety, for the obligations of the lessee under any Operating Lease, except:

"(a) The lease of certain property located on Rosecrans Boulevard in El Segundo, California from Continental Development Corporation;

"(b) Operating Leases in respect of which Fisher-Price or any Subsidiary thereof is liable that existed on the date of the Fisher-Price Acquisition and were not entered into in anticipation thereof; and

"(c) Other Operating Leases having aggregate rental and other payments (net of sub-lease income) which are payable in any future period of twelve consecutive calendar months not exceeding \$20,000,000."

2.13 Section 10.14 of the Credit Agreement is deleted in its entirety and "Intentionally left blank" is inserted in lieu thereof.

2.14 Section 10.17 of the Credit Agreement is amended by deleting the words after "and second" through the end of such section and inserting the following in lieu thereof:

"to the payment to or upon the order of the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds."

2.15 Section 11.11 of the Credit Agreement is deleted in its entirety.

2.16 Exhibits D (Intercreditor Agreement), H (Pledge and Security Agreement), K (Receivables Purchase Subordination Agreement), and N (Mattel Sales Security Agreement) are deleted in their entirety and "Intentionally left blank" is inserted in lieu thereof in the table of contents.

2.17 The Intercreditor Agreement, Pledge and Security Agreement, Receivables Purchase Subordination Agreement and the Mattel Sales Security Agreement are hereby terminated and deemed of no further force or effect.

2.18 The form of Exhibit M to the Credit Agreement is amended by deleting all references to Collateral Agent and inserting references to Agent in lieu thereof.

3. Amendments to Mattel Sales Continuing Guaranty. The parties hereto agree that the Mattel Sales Continuing Guaranty is amended as follows:

3.1 All references to Collateral Agent in the Mattel Sales Continuing Guaranty are deleted and references to Agent are inserted in lieu thereof. From and after the effective date hereof, the Agent shall replace the Collateral Agent as a party to the Mattel Sales Continuing Guaranty.

3.2 Section 10 of the Mattel Sales Continuing Guaranty is deleted and "Intentionally left blank" is inserted in lieu thereof.

4. Representations and Warranties. The Company represents and warrants to the Banks, the Agent and the Collateral Agent:

4.1 Authorization. The execution, delivery and performance of this Second Amendment by the Company has been duly authorized by all necessary corporate action by the Company and has been duly executed and delivered by the Company.

4.2 Binding Obligation. This Second Amendment and the Loan Documents (except as expressly terminated hereby) are legal, valid and binding agreements of the Company, enforceable in accordance with their respective terms, except to the extent enforceability thereof may be limited by applicable law relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by the application of general principles of equity.

4.3 No Legal Obstacle to Agreements. Neither the execution of this Second Amendment, the making by the Company of any borrowings under the Credit Agreement, as amended hereby, nor the performance of the Loan Documents by the Company has constituted or resulted in or will constitute or result in a breach of the provisions of any material agreement, or the violation of any law, judgment, decree or governmental order, rule or regulation applicable to the Company, or result in the creation under any material agreement of any security interest, lien, charge, or encumbrance upon any of the assets of the Company. No approval or authorization of any governmental authority is required to be obtained by the Company to permit the execution, delivery or performance by the Company of this Second Amendment, the Loan Documents, as amended hereby, or the transactions contemplated hereby or thereby, or the making of any borrowing by the Company under the Credit Agreement, as amended hereby.

4.4 Incorporation of Certain Representations.

The representations and warranties set forth in Section 7 of the Credit Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct in all material respects on and as of such earlier date.

4.5 Default. No Event of Default or Potential Event of Default under the Credit Agreement has occurred and is continuing.

5. Conditions, Effectiveness. The effectiveness of this Second Amendment shall be subject to the compliance by the Company with its agreements herein contained, and to the delivery of to the Agent of the following:

5.1 Corporate Resolution. A copy of a resolution or resolutions passed by the Board of Directors of the Company, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the effective date of this Second Amendment, authorizing the amendments to the Loan Documents herein provided for and the execution, delivery and performance of this Second Amendment and any note or other instrument or agreement required hereunder.

5.2 Authorized Signatories. A certificate, signed by the Secretary or an Assistant Secretary of the Company and dated the date of this Second Amendment, as to the incumbency of the person or persons authorized to execute and deliver this Second Amendment and any instrument or agreement required hereunder on behalf of the Company.

5.3 Other Evidence. Such other evidence with respect to the Company or any other person as the Agent or any Bank may reasonably request to establish the consummation of the transactions contemplated hereby, the taking of all corporate action in connection with this Second Amendment and the Loan Documents and the compliance with the conditions set forth herein.

6. Miscellaneous.

6.1 Termination of Collateral Documents. The Intercreditor Agreement, Pledge and Security Agreement, Receivables Purchase Subordination Agreement and the Mattel Sales Security Agreement are hereby terminated and deemed of no further force or effect.

6.2 Amendments to Mattel Sales Subordination Agreements. The Company shall cause each Mattel Sales Subordination Agreement to be amended as set forth in Section 2.18 of this Second Amendment. From and after the effective date hereof, the Agent shall replace the Collateral Agent as a party to the Mattel Sales Subordination Agreement.

6.3 Effectiveness of the Agreements. Except as hereby expressly amended or terminated, the Loan Documents shall remain in full force and effect.

6.4 Termination of Security Interests. The parties hereto hereby terminate their security interest in all Collateral.

6.5 Release of Collateral. Upon the effectiveness of this Second Amendment, the Collateral Agent shall execute such documents and instruments as may be reasonably necessary to terminate its security interest in the Collateral.

6.6 Waivers. This Second Amendment is specific in time and in intent and does not constitute, nor should it be construed as, a waiver of any other right, power or privilege under the Loan Documents, or under any agreement, contract, indenture, document or instrument mentioned in the Loan Documents; nor does it preclude any exercise thereof or the exercise of any other right, power or privilege, nor shall any future waiver of any right, power, privilege or default hereunder, or under any agreement, contract, indenture, document or instrument mentioned in the Loan Documents, constitute a waiver of any other default of the same or of any other term or provision.

6.7 Capacity. Each bank party hereto is executing and delivering this Second Amendment, and consents and agrees to the terms hereof in its capacity as a Bank, a Domestic Bank, a Foreign Bank and, in the case of PNC Bank, National Association, as Backstop Issuing Bank and, in the case of NationsBank of Texas, N.A., as Transfer and Administration Agent.

6.8 Counterparts. This Second Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. This Second Amendment shall not become effective until the Company, the Banks, the Agent, the Collateral Agent, Mattel Sales, the Domestic Banks, the Foreign Banks and the Backstop Issuing Bank shall have signed a copy hereof, whether the same or counterparts, and the same shall have been delivered to the Agent.

6.9 Collateral Agent's Indemnities. Notwithstanding the termination of the Collateral Documents, the provisions of Section 5 of the Intercreditor Agreement, Sections 13 and 14 of the Pledge and Security Agreement and Sections 13 and 14 of the Mattel Sales Security Agreement shall survive and inure to the benefit of Bank of America National Trust and Saving Association as to any actions taken or omitted to be taken thereunder while it was Collateral Agent.

6.10 Jurisdiction. This Second Amendment, and any instrument or agreement required hereunder, shall be governed by and construed under the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment by their duly authorized officers as of the day and year first above written.

MATTEL, INC.

By: /s/ Francesca Luzuriaga

Senior Vice President and
Treasurer

(Signatures continue)

AGENT AND COLLATERAL
AGENT:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent
and Collateral Agent

By: /s/ L. Chenevert

Title: Vice President

BACKSTOP ISSUING
BANK

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Ted A. Dunn

Title: Commercial Banking Officer

BANKS:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: /s/ Robert W. Troutman

Title: Vice President

CHEMICAL BANK

By: /s/ Jeffrey Howe

Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ J. Peter Mitchell

Title: Director

(Signatures continue)

PNC BANK, NATIONAL ASSOCIATION, as
a Bank and as Backstop Issuing Bank

By: /s/ Ted A. Dunn

Title: Commercial Banking Officer

THE CHASE MANHATTAN BANK, N.A.

By: /s/ Dawn Lee Lum

Title: Vice President

CONTINENTAL BANK N.A.

By: /s/ Hetty E. Harlon

Title: Vice President

MARINE MIDLAND BANK, N.A.

By: /s/ William M. Holland

Title: Vice President

NATIONSBANK OF TEXAS, N.A., as a Bank and
as Transfer and Administration Agent

By: /s/ J. Blake Seaton

Title: Vice President

THE BANK OF CALIFORNIA, N.A.

By: /s/ Thomas H. Tegart

Title: Vice President

(Signatures continue)

THE TORONTO-DOMINION BANK

By: /s/ Debbie A. Greene

Title: Manager Credit Admin.

CONSENT OF MATTEL SALES CORP.

The undersigned Mattel Sales Corp. hereby consents to the foregoing Second Amendment to Third Amended and Restated Credit Agreement dated as of November 8, 1993, and reaffirms the Second Amended and Restated Continuing Guaranty dated as of March 19, 1993 executed and delivered by Mattel Sales Corp.

Date: November 8, 1993

MATTEL SALES CORP.

By: /s/ Francesca Luzuriaga

Title: Senior Vice President and
Treasurer

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement")
between Mattel, Inc., a Delaware corporation ("Mattel") and _____
_____ (the "Executive"), dated as of the ____ day of _____
____, 199_.

Executive and Mattel are parties to an Employment Agreement
dated as of _____, (the "Existing Employment Agreement")
providing for the employment of Executive.

Executive and Mattel desire to amend and restate the Existing
Employment Agreement in its entirety.

In consideration of the premises and for other good and valuable
consideration, the receipt of which is hereby acknowledged, Executive
and Mattel agree to amend and restate the Existing Employment
Agreement in its entirety as follows:

1. Employment Period. Mattel hereby agrees to continue the
Executive in its employ, and the Executive hereby agrees to remain
in the employ of Mattel for the period commencing on the date of this
Agreement and ending on the earlier to occur of (i) the third
anniversary of such date or (ii) the first day of the month

coinciding with or next following the Executive's sixty-fifth birthday. Such date is herein called the "Normal Retirement Date" and such period the "Employment Period"; provided, however, that commencing on the first day of the month next following the effective date hereof, and on the first day of each month hereafter (the most recent of such dates is hereinafter referred to as the "Renewal Date"), the Employment Period shall be automatically extended so as to terminate on the earlier of (x) three years from such Renewal Date or (y) the first day of the month coinciding with or next following the Executive's Normal Retirement Date, unless at least 60 days prior to any Renewal Date Mattel or the Executive shall give notice to the other that the Employment Period shall not be so extended.

2. Duties. (a) Executive's Position and Duties. During the Employment Period, the Executive's position (including titles), authority and responsibilities shall be similar to those held by the Executive on the date hereof with such additions and modifications, and consistent with responsibilities generally assigned to executive officers of Mattel as the Chief Executive Officer of Mattel may in his discretion and acting in good faith from time to time assign to Executive. The Executive's services shall be performed in the general area in which Executive was employed on the date of this Agreement and Executive will not be transferred outside the area without Executive's consent, other than for normal business travel and temporary assignments.

(b) Full Time. The Executive agrees to devote his full business time to the business and affairs of Mattel and to use his best efforts to perform faithfully and efficiently the responsibilities assigned to him hereunder to the extent necessary to discharge such responsibilities, except for (i) services on corporate, civic or charitable boards or committees not significantly interfering with the performance of such responsibilities; (ii) periods of vacation and sick leave to which he is entitled; and (iii) the management of his personal investments and affairs. Executive will not engage in any outside business activity including, but not limited to, activity as a consultant, agent, partner or officer or provide services of any nature directly or indirectly to a corporation or other business enterprise.

3. Compensation. (a) Base Salary. During the Employment Period, the Executive shall receive a base salary ("Base Salary") at a monthly rate at least equal to the monthly salary paid to Executive by Mattel on the date of this Agreement. The Base Salary shall be reviewed at least every two years and may be increased at any time and from time to time by action of the Board of Directors of Mattel (the "Board") or any committee thereof or any individual having authority to take such action in accordance with Mattel's regular practices. Any increase in the Base Salary shall not serve to limit or reduce any other obligation of Mattel hereunder, and after any such increase, the Base Salary shall not be reduced.

(b) Bonus Programs. In addition to the Base Salary, the Executive shall continue to participate in Mattel's cash and deferred bonus or incentive plans or programs ("Bonus Programs") as may be in effect from time to time with respect to executives employed by Mattel at a participation level reflecting Executive's responsibilities, including but not limited to, the Management Incentive Plan and Long-Term Incentive Plan as they may be modified from time to time and including any plans substituted therefore, provided, however, except as provided in Section 5(f) hereof, the determination of the amounts to be paid pursuant to such plans shall be made by the Board or a committee thereof authorized to take such action and shall be made in accordance with Mattel's compensation practice and the terms and provisions of such plans or programs.

(c) Incentive and Savings Plans. In addition to the Base Salary and participation in the Bonus Programs, during the Employment Period the Executive shall continue to be entitled to participate in all incentive and savings plans and programs, including stock option plans, as well as in all retirement plans, including the Mattel Supplemental Executive Retirement Plan, as may be in effect from time to time with respect to executives employed by Mattel at Executive's level reflecting Executive's responsibilities.

(d) Benefit Plans. The Executive and/or his family, as the case may be, shall be entitled to receive all amounts which he or his family is or would have been entitled to receive as benefits under all medical, dental, disability, group life, accidental death and travel accident insurance plans and programs of Mattel in which Executive is a participant as in effect from time to time with respect to executives employed by Mattel.

(e) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and practices of Mattel as in effect from time to time with respect to executives employed by Mattel.

(f) Fringe Benefits. The Executive shall be entitled to fringe benefits, including an automobile, a club membership and related expenses, and financial counseling in accordance with the policies of Mattel as in effect from time to time with respect to executives employed by Mattel.

(g) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the policies of Mattel as in effect from time to time with respect to executives employed by Mattel.

(h) Certain Amendments. Nothing herein shall be construed to prevent Mattel from amending, altering, eliminating or reducing any plans, benefits or programs so long as the Executive continues to have the opportunity to receive compensation and benefits consistent with Sections 3(a) through (g).

4. Termination. (a) Death or Disability. This Agreement shall terminate automatically upon the Executive's death. Mattel may terminate this Agreement, after having established the Executive's Disability, by giving to the Executive written notice of its intention to terminate his employment, and his employment with Mattel shall terminate effective on the 90th day after receipt of such notice (the "Disability Effective Date"). For purposes of this Agreement, an Executive's Disability shall be deemed to have occurred when the Executive becomes entitled to receive disability benefits under the Mattel Long-Term Disability Plan for exempt employees.

(b) Cause. Mattel may terminate the Executive's employment for "Cause" if a majority of the Board determines that "Cause" exists. For purposes of this Agreement, "Cause" means (i) an act or acts of dishonesty on the Executive's part which are intended to result in his substantial personal enrichment at the expense of Mattel or (ii) repeated violations by the Executive of his obligations under Section 2 of this Agreement which are demonstrably willful and deliberate on the Executive's part and

which resulted in material injury to Mattel or (iii) conduct of a criminal nature may or which is likely to have an adverse impact on Mattel's reputation or standing in the community or on its relationship with its customers or those who purchase or use its products (iv) fraudulent conduct in connection with the business or affairs of Mattel, regardless of whether said conduct is designed to defraud Mattel or others.

(c) Good Reason. The Executive may terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" means:

(i) Without the express written consent of the Executive, the assignment to the Executive of any duties inconsistent in any substantial respect with the Executive's position, authority or responsibilities as contemplated by Section 2 of this Agreement;

(ii) any failure by Mattel to comply with any of the provisions of Section 3 of this Agreement, other than an insubstantial and inadvertent failure remedied by Mattel promptly after receipt of notice thereof given by the Executive;

(iii) Mattel requires the Executive without his consent to be based at any office or location other than an office or location in the general area where Executive was based on the

date of this Agreement, except for travel reasonably required in the performance of the Executive's responsibilities;

(iv) any purposed termination by Mattel of the Executive's employment otherwise than as permitted by this Agreement; or

(v) any failure by Mattel to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 11(b).

(d) Change of Control. A "Change of Control" shall be deemed to have occurred if:

(i) any "Person", which shall mean a "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than Mattel, any trustee or other fiduciary holding securities under an employee benefit plan of Mattel) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, or securities of Mattel representing 30% or more of the combined voting power of Mattel's then outstanding voting securities;

(ii) during any period of 24 consecutive months, individuals, who at the beginning of such period constitute the Board of Mattel, and any new director whose election by the Board,

or whose nomination for election by Mattel's stockholders, was approved by a vote of at least one-half (1/2) of the directors (other than in connection with a contested election) cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of Mattel approve (I) a plan of complete liquidation of Mattel or (II) the sale or disposition by Mattel for all or substantially all of Mattel's assets unless the acquirer of the assets or its board of directors shall meet the conditions for a merger or consolidation in subparagraphs (iv) (I) or (iv) (II) below; or

(iv) the consummation of a merger or consolidation of Mattel with any other company other than:

(I) such a merger or consolidation which would result in the voting securities of Mattel outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of Mattel's or such surviving entity's outstanding voting securities immediately after such merger or consolidation; or

(II) such a merger or consolidation, which would result in the directors of Mattel who were directors immediately prior thereto, continuing to constitute at least 50% of

the directors of the surviving entity immediately after such merger or consolidation.

In this paragraph (iv), "surviving entity" shall mean only an entity in which all of Mattel's stockholders immediately before such merger or consolidation become stockholders by the terms of such merger or consolidation, and the phrase "directors of Mattel who were directors immediately prior thereto" shall include only individuals who were directors of Mattel at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation.

(e) Notice of Termination. Any termination by Mattel for Cause or following a Change of Control or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b). Any termination by Mattel due to Disability shall be given in accordance with Section 4(a). For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) and except in the event of a termination as a result of a Change of Control, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the termination date is other than the date of receipt of such notice,

specifies the termination date of this Agreement (which date shall be not more than 15 days after the giving of such notice).

(f) Date of Termination. "Date of Termination" means the fifth day following the mailing (or if personally delivered, the date of delivery) of the Notice of Termination or any later date specified therein, as the case may be. Notwithstanding any contrary provision in Section 4(e), if the Executive's employment is terminated by Mattel for any reason other than Cause, Death, or Disability, the Date of Termination is the date on which Mattel notifies the Executive of such termination; if the Executive's employment is terminated due to Disability, the Date of Termination is the Disability Effective Date, and if the Executive's employment is terminated due to the Executive's death, the Date of Termination shall be the date of death.

5. Obligations of Mattel upon Termination.

(a) Death. If the Executive's employment is terminated by reason of the Executive's death, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement other than those obligations accrued hereunder at the date of his death. Anything in this Agreement to the contrary notwithstanding, the Executive's family shall be entitled to receive benefits at least equal to those provided by Mattel to surviving families of executives of Mattel under the plan, programs and policies described in Sections 3(d) and 3(f) of

this Agreement, if any, as in effect from time to time with respect to executives employed by Mattel with comparable responsibilities and their families.

(b) Disability. If the Executive's employment is terminated by reason of the Executive's Disability, the Executive shall be entitled to receive after the Disability Effective Date disability and other benefits at least equal to those provided by Mattel to disabled employees and/or their families in accordance with the plans, programs and policies described in Sections 3(d) and 3(f) of this Agreement if and as in effect on the Disability Effective Date with respect to executives with comparable responsibilities and their families.

(c) Cause. If the Executive's employment shall be terminated for Cause or if the Executive terminates his employment without Good Reason, Mattel shall pay the Executive his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, and Mattel shall have no further obligations to the Executive under this Agreement.

(d) Good Reason Other Than for Cause or Disability.

(i) Lump Sum Payments. If during the Employment Period Mattel shall terminate the Executive's employment other than for Cause or Disability, or the Executive shall terminate his employment for Good Reason other than a termination for Good Reason

within 18 months following a Change of Control as provided in Section 5(e);

(I) Mattel shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

(A) if not theretofore paid, the Executive's Base Salary through the Date of Termination at the rate in effect at the time of Notice of Termination was given; and

(B) an amount equal to the average annual Management Incentive Plan bonus, if any, paid to Executive pursuant to the Bonus Programs provided in Section 3(b) with respect to the two fiscal years next preceding the Date of Termination ("Annual Bonus") multiplied by a fraction whose numerator shall be the number of full months that have elapsed from the end of the last fiscal year with respect to which a Management Incentive Plan bonus calculation was made, and ending on the Date of Termination and the denominator shall be 12.

(C) an amount under the Long-Term Incentive Plan which had been determined and allocated to Executive's account under such plan plus amounts that had been earned in the next preceding fiscal year that were not determined or allocated at the Date of Termination but would have been allocated to Executive had he continued in the employ of Mattel; such latter

amounts to be payable 30 days after such amounts have been determined.

(D) three times the sum of (x) the Executive's annual Base Salary at the rate in effect at the time the Notice of Termination is given and (y) the Annual Bonus defined in Section 5(d)(I)(B).

(II) Options granted to Executive under Mattel's stock option plans (the "Stock Option Plan") which options have been outstanding for more than six months shall become immediately exercisable and Executive shall have for a period of 90 days following such Date of Termination to exercise all options granted under the Stock Option Plans then exercisable, but not to exceed the term of the grant, or which become exercisable pursuant to this clause (II).

(III) Awards of share units granted to Executive shall become payable as of the Date of Termination and the amount payable shall be determined by multiplying the value of the share units by a fraction whose numerator shall be the number of full months that have elapsed since the date of award of the share units and the denominator shall be the number of months from the date of the award of the share units to the date the share

units are payable. The value of the share units shall be determined in accordance with Section 6 of the award agreement with the Valuation Date defined therein being the Date of Termination.

(IV) In addition, Mattel shall, promptly upon submission by the Executive of supporting documentation, pay or reimburse to the Executive any costs and expenses paid or incurred by the Executive which would have been payable under Section 3(e) if his employment had not terminated; and

(V) Until the earlier of (i) the first day of the month coinciding with or next following the Executive's Normal Retirement Date, (ii) the third anniversary of the Date of Termination referred to in this Section, or (iii) the date Executive accepts other employment, Mattel shall continue benefits to the Executive and/or his family at least equal to those which would have been provided to them in accordance with the plans, programs and policies described in Sections 3(d) and 3(f) of this Agreement if the Executive's employment had not been terminated, if and as in effect from time to time with respect to executives employed by Mattel with comparable responsibilities and their families. The last 18 months of Executive's participation shall be deemed to be participation under an election to continue such benefits under the Consolidated Omnibus Budget Reconciliation Act.

(VI) For purposes of the Mattel Supplemental Executive Retirement Plan, Executive shall be credited with three years of service in addition to his years of service actually accrued through the Date of Termination.

(e) Change of Control. If during the Employment Period and within 18 months following a Change of Control, Executive shall terminate his employment for Good Reason as defined in Section 4(c) or if Mattel terminates the Executive's employment other than for Cause or Disability;

(i) Mattel shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

(A) if not theretofore paid, the Executive's Base Salary through the Date of Termination at the rate in effect at the time of Notice of Termination was given; and

(B) an amount equal to the Management Incentive Plan bonus that would have been payable to executives of Mattel in the same bonus category as Executive pursuant to the Bonus Programs provided in Section 3(b) assuming, for purposes of calculating the amount of the bonus pool under the plan, that the "maximum" amount, as that term is used in the plan, were achieved, ("Annual Bonus") multiplied by a fraction whose numerator shall be the number of full months that have elapsed from the end of the last fiscal year with respect to which a Management Incentive Plan bonus calculation was made, and ending on the Date of Termination

and the denominator shall be 12. The year on which the computation is based shall be the year in which the Date of Termination occurred;

(C) an amount under the Long-Term Incentive Plan which had been determined and allocated to Executive's account under such plan plus amounts that had been earned in the next preceding fiscal year that were not determined or allocated as of the Date of Termination but would have been allocated to Executive had he continued in the employ of Mattel; such latter amounts to be payable 30 days after such amounts have been determined.

(D) three times the sum of (x) the Executive's annual Base Salary at the rate in effect at the time the Notice of Termination is given, (y) the Executive's Annual Bonus, and (z) Current Year's Long-Term Bonus. For purposes of this clause (D), Current Year's Long-Term Bonus shall be an amount equal to the Long-Term Bonus provided in Section 3(b) that would have been allocated to Executive, assuming, for purposes of calculating the amount earned under the plan, that the maximum payment, as that term is used in the plan, was achieved and the year on which the computation is based is the year in which the Date of Termination occurred.

(ii) If it is determined that the payment or distribution by Mattel to Executive pursuant to Section 5(e) (determined without regard to any additional payments required pursuant to this sentence) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (the "Code") or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(iii) In addition, Executive shall receive the amounts and be entitled to the benefits provided in clauses (IV), (V) and (VI) of Section 5(d)(i).

(f) Bonus During Cancellation Period. If Mattel notifies the Executive that the Employment Period provided in Section 1 hereof will not be automatically extended as provided therein, the compensation of Executive shall continue as provided

in this Agreement for the period provided therein, except that the amount of short-term incentive compensation payable under the Bonus Programs with respect to each fiscal year during such period (including the year in which the notice was given) shall be the Annual Bonus as determined in Section 5(d)(I)(B). Amounts payable with respect to the year in which the term specified in Section 1 expires shall be prorated based on a fraction the numerator of which is the number of full months from the beginning of such year until the date of the expiration of this Agreement and denominator is 12.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participating in any benefit, bonus, incentive or other plan or program provided by Mattel and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreements with Mattel or any of its affiliated companies. Except as otherwise provided herein, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of Mattel at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

7. No Set Off, Payment of Fees. Except as provided herein, Mattel's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall

not be affected by any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which Mattel may have against the Executive or others. Mattel agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by Mattel or others of the validity or enforceability of, or liability under, any provision of this Agreement other than expenses relating to a claim by Executive that he terminated for Good Reason or that the termination for Cause was improper, in which case such fees and expenses shall be paid only if Executive prevails in whole or in part. All amounts provided herein shall include, in each case, interest, compounded quarterly, on the total unpaid amount determined to be payable under this Agreement, such interest to be calculated on the basis of the prime commercial lending rate announced by Bank of American National Trust and Savings Association in effect from time to time during the period of such nonpayment. In the event that the Executive shall in good faith give a Notice of Termination for Good Reason and it shall thereafter be determined that Good Reason did not exist, the employment of the Executive shall, unless Mattel and the Executive shall otherwise mutually agree, be deemed to have terminated at the date of giving such purported Notice of Termination by mutual consent of Mattel and the Executive shall be entitled to receive only those payments and benefits which he would have been entitled to receive at such date.

8. Arbitration of Disputes. (a) The parties agree that any disputes, controversies or claims which arise out of or relate to this Agreement, Executive's employment or the termination of his employment, including, but not limited to, any claim relating to the purported validity, interpretation, enforceability or breach of this Agreement, and/or any other claim or controversy arising out of the relationship between the Executive and Mattel (or the nature of the relationship) or the continuation or termination of that relationship, including, but not limited to, claims that a termination was for Cause, including the Board's determination in accordance with Section 4(b), or for Good Reason, claims for breach of covenant, breach of an implied covenant of good faith and fair dealing, wrongful termination, breach of contract, or intentional infliction of emotional distress, defamation, breach of right of privacy, interference with advantageous or contractual relations, fraud, conspiracy or other tort or property claims of any kind, which are not settled by agreement between the parties, shall be settled by arbitration before a board of three arbitrators.

One arbitrator shall be selected by the Executive, one by Mattel and the third by the two persons so selected, all in accordance with the labor arbitration rules of the American Arbitration Association then in effect. In the event that the arbitrator selected by the Executive and the arbitrator selected by Mattel are unable to agree upon a third arbitrator, then the third arbitrator shall be selected from a list of seven provided by the

office of the American Arbitration Association nearest to the employee's residence with the parties striking names in order and the party striking first to be determined by the flip of a coin. The arbitration shall be held in a location to be mutually agreed upon by the parties. In the absence of agreement, the Chairman of the Board of Mattel shall determine the location.

(b) In consideration of the parties' agreement to submit to arbitration all disputes with regard to this Agreement and/or with regard to any alleged contract, or any other claim arising out of their conduct, the relationship existing hereunder or the continuation or termination of that relationship, and in further consideration of the anticipated expedition and the minimizing of expense of this arbitration remedy, the arbitration provisions of this Agreement shall provide the exclusive remedy, and each party expressly waives any right he or it may have to seek redress in any other forum.

(c) Any claim which either party has against the other party which could be submitted for resolution pursuant to this Section must be presented in writing by the claiming party to the other within one year of the date the claiming party knew or should have known of the facts giving rise to the claim, except that claim arising out of or related to the termination of the Executive's employment must be presented by him within one year of the Date of Termination. Unless the party against whom any claim is asserted

waives the time limits set forth above, any claim not brought within the time periods specified shall be waived and forever barred.

(d) Mattel will pay all costs and expenses of the arbitration to the extent provided in Section 8, hereof. In the event expenses are not paid by Mattel, and without diminishing the Executive's right to reimbursement as provided in this Section costs and expenses shall be paid as follows: (x) the expenses of the neutral arbitrator and of a transcript of any arbitration proceeding shall be divided equally between the Executive and Mattel; and (y) each party shall bear the expenses of the arbitrator selected by it and of the witnesses it calls.

(e) Any decision and award or order of the majority of the arbitrators shall be binding upon the parties hereto and judgment thereon may be entered in the Superior Court of the State of California or any other court having jurisdiction.

(f) Each of the above terms and conditions shall have separate validity and the invalidity of any part thereof shall not affect the remaining parts.

(g) Any decision and award or order of the majority of the arbitrators shall be final and binding between the parties as to all claims which were or could have been raised in connection

with the dispute to the full extent permitted by law. In all other cases, the parties agree that the decision of the board of arbitrators shall be a condition precedent to the institution or maintenance of any legal, equitable, administrative, or other formal proceeding by the employee in connection with the dispute, and that the decision and opinion of the board of arbitrators may be presented in any other forum on the merits of the dispute.

9. General Release. Executive acknowledges and agrees that this Agreement includes the entire agreement and understanding between the parties with regard to Executive's employment or the termination thereof during the Employment Period and all amounts to which Executive shall be entitled whether during the term of employment or upon termination thereof. Accordingly, upon Mattel's fulfilling its obligations to Executive hereunder, Executive, on behalf of himself and his related individuals and entities, if any, including, but not limited to, any predecessors, successors/ assigns, and any and all other related individuals and entities, if any, and each of them, shall and does hereby forever relieve, release, and discharge Mattel and its respective predecessors, successors, assigns, owners, attorneys representatives, affiliates, parent corporations, subsidiaries (whether or not wholly-owned), divisions, partners and their officers, directors, agents, employees, servants, executors, administrators, accountants, investigators, insurers, and any and all other related individuals and entities, if any, and each of them, in any and all capacities,

from any and all claims, debts, liabilities, demands, obligations, liens, promises, acts, agreements, costs and expenses (including, but not limited to, attorneys' fees), damages, actions and causes of action, of whatever kind or nature, including, without limitation, any statutory, civil or administrative claim, or any claim, arising out of acts or omissions occurring before the execution of this Agreement, whether known or unknown, suspected or unsuspected, fixed or contingent, apparent or concealed (collectively referred to as "claims"), including, but not limited to, any claims based on, arising out of, related to or connected with the subject matter of this Agreement, Executive's employment or the termination thereof, and any and all facts in any manner arising out of, related to or connected with Executive's employment with, or termination of employment from, Mattel or any of its related entities, including, but not limited to, any claims arising from rights under federal, state, and local laws prohibiting discrimination on the basis of race, national origin, sex, religion, age, marital status, pregnancy, handicap, ancestry, sexual orientation, or any other form of discrimination, and any common law claims of any kind, including, but not limited to, contract, tort, and property rights including, but not limited to, breach of contract, breach of the implied covenant of good faith and fair dealing, tortious interference with contract or current or prospective economic advantage, fraud, deceit, misrepresentation, defamation, wrongful termination, infliction of emotional distress, breach of

fiduciary duty, and any other common law claim of any kind whatever.

Upon Mattel's fulfilling its obligations to Executive hereunder, Executive expressly waives any and all rights under Section 1542 of the Civil Code of the State of California, or any other federal or state statutory rights or rules, or principles of common law or equity, or those of any jurisdiction, government, or political subdivision thereof, similar to Section 1542 ("similar provision"). Thus Executive may not invoke the benefits of Section 1542 or any similar provision in order to prosecute or assert in any manner any claims released hereunder. Section 1542 provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of Mattel all secret or confidential information, knowledge or data relating to Mattel or any of its affiliated companies, and their respective businesses,

which shall have been obtained by the Executive during his employment by Mattel or any of its affiliated companies and which shall not be public knowledge and will continue to be bound by the provisions of the Patent and Confidence Agreement previously executed by Executive. After termination of the Executive's employment with Mattel, he shall not, without the prior written consent of Mattel, communicate or divulge any such information, knowledge or data to anyone other than Mattel and those designated by it.

11. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of Mattel shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Mattel and its successors. Mattel shall require any successor to all or substantially all of the business and/or assets of Mattel, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as Mattel would be required to perform if no such succession had taken place.

12. Amendment. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and may be amended or modified only by a written instruction executed by Executive and Mattel.

13. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Corporation:

MATTEL, INC.
333 Continental Blvd.
El Segundo, CA 90245
ATTENTION: General Counsel

or to such other address as either party shall have furnished to

the other in writing in accordance herewith.

(c) The invalidity of unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) Mattel may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

IN WITNESS WHEREOF, the Executive has hereunto set hand and, pursuant to the authorization from the Board of Directors, Mattel has caused these presents to be executed in its name on its behalf,

and its corporate seal to be hereunto affixed and attested by its Secretary,
all as of the day and year first above written.

Executive

MATTEL, INC.

By: _____

ATTEST:

Secretary

(SEAL)

MATTEL, INC.

HIGHLIGHTS

 1993 MANAGEMENT INCENTIVE PLAN

OBJECTIVES

- Focus on key Mattel goals -- "growth in earnings" and "asset management"
- Recognize individual contributions, while emphasizing a team approach
- Link participants' compensation to Mattel's business performance

PARTICIPATION

Eligibility extends to employees with the position of manager or above, and/or those at salary grade 26 or higher. In addition, all participants must:

- Be an active employee as of September 30, 1993
- Be an active employee as of the date bonuses are distributed in March, 1994

BONUS CRITERIA

The Management Incentive Plan provides an annual cash bonus to participating employees based on the following factors:

- Corporate and division financial results
- Position in the company
- Individual employee performance

FUNDING

The incentive pool is funded based upon the following measurements of business performance:

- Corporate Net Income
- Growth in Division Operating Profit
- Cash Flow Return on Investment (CFROI), which is a ratio of annual cash flow (driven by operating profit) and net investments driven by accounts receivable and inventory)

The entire incentive pool is generated and funded as a percentage of corporate net income based upon the level of corporate earnings attained. The total pool is then allocated between the corporation, its divisions and the Affiliates.

- Division and Affiliate pools receive 75% of their funding based on their performance and 25% based on corporate performance
- Corporate staff funding will be determined based on overall corporate results

The benchmarks for the levels of funding are:

- Maximum - pool is 100% funded, if corporate results exceed the business plan
- Plan - pool is 67% funded, if corporate results meet the business plan

INDIVIDUAL INCENTIVE AWARDS

Your individual award is then determined based on the total incentive pool generated, your division's financial results, your position in the company and your individual performance. The fund generated for each position (expressed as a percentage of prorated salary) will be based on:

----- POSITION -----	----- PLAN -----	----- MAXIMUM -----
Executive VP/Sr. VP	43%	65%
Vice President	40%	60%
Sr. Director/Director	33%	50%
Sr. Manager	20%	30%
Manager	10%	15%

These percentages are provided only as a benchmark. The actual amount of your incentive payment may vary depending on the size of the pool, which is directly determined by corporate/division performance, and more significantly, your individual performance.

SUMMARY

The Management Incentive Plan provides a significant benefit to both the participants and the company's stockholders. The more efficient and pro-active we are as managers of Mattel's assets, the better the margins and returns on invested capital. Each of us contributes to these measures of success, and this plan offers its participants the ability to achieve lucrative incentives for truly superior company and individual performance.

This is only a summary of the Plan. The Compensation/Options Committee has the authority to interpret the Plan and to establish rules and regulations for administration of the Plan. The Compensation/Options Committee may at any time amend, modify or terminate the Plan. (May 1993)

MATTEL, INC.
FIRST AMENDMENT
TO
AWARD AGREEMENT

This First Amendment to Award Agreement (this "Amendment") is made and entered into as of May 11, 1993, by and between _____ ("Grantee"), and Mattel, Inc. ("Mattel"), with reference to the following facts:

A. Grantee and Mattel are parties to the Award Agreement dated February 12, 1991 (the "Award Agreement"), pursuant to which Grantee was awarded Stock Appreciation Rights under the Mattel 1990 Stock Option Plan.

B. Grantee and Mattel desire to amend the Award Agreement to reflect the 5 for 4 and 3 for 2 stock splits which have occurred since the date of the Award Agreement and to reflect the agreement reached on May 11, 1993, to change the leverage formula of the Stock Appreciation Rights for stock prices above \$26.67.

C. Grantee and Mattel desire further to amend the Award Agreement to provide a new method of selecting the comparison Mattel stock price for valuation of the Stock Appreciation Rights if certain financial performance tests are met for fiscal years 1994 and 1995.

For good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. The first sentence of Section 1 of the Award Agreement is amended and restated in its entirety to read as follows:

"The number of Stock Appreciation Rights ("Units") awarded hereunder is _____."

2. The first sentence of Section 4 of the Award Agreement is amended and restated in its entirety to read as follows:

"Units shall become vested as follows:

(a) _____ Units on March 15, 1995,

(b) _____ Units on March 15, 1996."

3. Section 6 of the Award Agreement is amended and restated in its entirety to read as follows:

"For purposes of determining Unit Value the following additional definitions shall apply:

- a) Fair Market Value shall be the average of the closing prices of the Common Stock as recorded on the New York Stock Exchange Composite Tape for the 20 trading days next preceding the Valuation Date (the "Recent Average Price"); provided, however that if either

- (i) Mattel achieves a Cash Flow Return on Investment of 25% for the year ended December 31, 1994, for determining Unit Value on the first Valuation Date, or the year ended December 31, 1995, for determining Unit Value on the second Valuation Date, as the case may be; or

- (ii) the closing price of the Common Stock on the New York Stock Exchange on any trading day during the fourth calendar quarter of 1994, for determining Unit Value on the first Valuation Date, and on any trading day during the fourth calendar quarter of 1995, for determining Unit Value on the second Valuation Date, as the case may be, is equal to or greater than an amount equal to the product of 5% multiplied by the Standard & Poors 400 Index;

then "Fair Market Value" shall be an amount equal to the greater of (X) the Recent Average Price, and (Y) the product of 90% multiplied by the average closing price of Common Stock for whichever period of 20 consecutive trading days between the date of this Award Agreement and the Valuation Date has the highest average closing price for the period.

- b) Initial Unit Value shall be the amount, if any, by which the Fair Market Value exceeds the Initial Value.
- c) Cash Flow Return on Investment shall mean the consolidated cash flow return on investment of Mattel as calculated by the chief financial officer of Mattel based upon the annual consolidated financial statements of Mattel in accordance with the methodology

approved by the Compensation/Options
Committee of the Board of Directors.

d) Unit Value shall be the following amounts:

(i) If the Initial Unit Value is \$2.6667 or less, the Unit Value shall be an amount determined by multiplying the Initial Unit Value by .5;

(ii) If the Initial Unit Value is more than \$2.6667 but less than or equal to \$5.3333, the Unit Value shall be an amount equal to \$1.3333 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$2.6667 by 1.0;

(iii) If the Initial Unit Value is more than \$5.3333 but less than or equal to \$8.0000, the Unit Value shall be an amount equal to \$4.0000 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$5.3333 by 1.5;

(iv) If the Initial Unit Value is more than \$8.0000, but less than or equal to \$10.6667, the Unit Value shall be an amount equal to \$8.0000 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$8.0000 by 2.0;

(v) If the Initial Unit Value is more than \$10.6667, but less than or equal to \$13.3333, the Unit Value shall be an amount equal to \$13.3333 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$10.6667 by 2.5;

(vi) If the Initial Unit Value is more than \$13.3333, but less than or equal to \$16.0000, the Unit Value shall be an amount equal to \$20.0000 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$13.3333 by 1.5;

(vii) If the Initial Unit Value is more than \$16.0000, but less than or equal to \$18.6667, the Unit Value shall be an amount equal to \$24.0000 plus an amount determined by

multiplying the amount of the Initial Unit Value in excess of \$16.0000 by 1.5;

(viii) If the Initial Unit Value is more than \$18.6667, but less than or equal to \$21.3333, the Unit Value shall be an amount equal to \$28.0000 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$18.6667 by 2.0;

(ix) If the Initial Unit Value is more than \$21.3333, but less than or equal to \$24.0000, the Unit Value shall be an amount equal to \$33.3333 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$21.3333 by 2.0;

(x) If the Initial Unit Value is more than \$24.0000 the Unit Value shall be an amount equal to \$38.6667 plus an amount determined by multiplying the amount of the Initial Unit Value in excess of \$24.0000 by 2.5."

4. Paragraph (c) of Section 7 of the Award Agreement is amended and restated in its entirety to read as follows:

"c) Change of Control - All Units shall become vested on the Distribution Date as that term is defined in the Company's Rights Agreement dated as of February 7, 1992 ("Rights Agreement"), or, if the Rights Agreement has terminated or the Rights have been redeemed, on the date the Distribution Date would have occurred under Section 3 of the Rights Agreement had the Rights Agreement not terminated or the Rights not been redeemed."

5. The foregoing changes shall be effective as of May 11, 1993. All other terms and provisions of the Award Agreement shall remain unchanged.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

GRANTEE:

MATTEL, INC.

By: _____
Title: _____

RESTRICTED STOCK AWARD AGREEMENT
UNDER THE
MATTEL 1990 STOCK OPTION PLAN

This Agreement (the "Agreement") is made effective as of the 15th day of December, 1993, between Mattel, Inc., a Delaware corporation (the "Company"), and _____ (the "Grantee"). Except as otherwise specifically provided herein, capitalized terms used herein shall have the meanings attributed thereto in the Mattel 1990 Stock Option Plan (the "Plan").

WHEREAS, pursuant to the Plan, the Company desires to grant the Grantee Restricted Stock on the terms and conditions set forth herein;

NOW, THEREFORE, in connection with the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. Grant of Restricted Stock. The Company hereby grants to the Grantee _____ shares of Restricted Stock (_____ shares after giving effect to the five-to-four stock split which becomes effective January 7, 1994) on the terms and conditions set forth herein. The shares of Restricted Stock granted hereunder shall be registered in the Grantee's name, but the certificates evidencing such shares shall be retained by the Company during the period prior to the vesting of such shares as set forth in Section 4 hereof (the "Restriction Period") and may bear any restrictive legend that the Company, in its discretion, deems appropriate. The Grantee shall execute a stock power, in blank, with respect to such shares and deliver the same to the Company.

2. Rights as a Shareholder. Except as provided in Sections 1, 3 and 4 hereof, during the Restriction Period, the Grantee shall have all the rights of a shareholder with respect to shares of Restricted Stock granted hereunder, including the right to receive dividends and the right to vote such shares.

3. Non-Transferability. During the Restriction Period, the Grantee may not sell, transfer, pledge, or otherwise encumber or dispose of the shares of Restricted Stock.

4. Lapse of Restrictions; Forfeiture. (a) The shares of Restricted Stock granted hereunder shall vest, and the restrictions imposed thereon shall lapse, as of January 1, 1997, provided that (i) the Grantee has been continuously employed by the Company from December 15, 1993 through and until January 1, 1997, and (ii) the performance goals set forth on Schedule I

hereto have been satisfied.

(b) Subject to satisfaction of the performance goals set forth on Schedule I hereto, if, during the Restriction Period, (i) the Grantee's employment with the Company is terminated by the Company other than for Cause or Disability, or (ii) the Grantee's employment with the Company is terminated by the Grantee for Good Reason, then the shares of Restricted Stock granted hereunder shall vest pro rata, determined by multiplying the number of shares granted hereunder by a fraction, the numerator of which is the number of months which have elapsed from the date hereof until the date of such termination, and the denominator of which is thirty-six (36).

(c) If, during the Restriction Period, (i) the Grantee's employment with the Company is terminated by reason of death or Disability, (ii) the Grantee's employment with the Company is terminated by the Grantee without Good Reason, or (iii) the Grantee's employment with the Company is terminated by the Company for Cause, then the shares of Restricted Stock granted hereunder shall be immediately forfeited to the Company, and the Grantee shall have no further rights with respect to such Restricted Shares.

(d) For purposes of this Agreement, "Cause", "Disability" and "Good Reason" shall have the meanings given such terms in the Amended and Restated Employment Agreement between the Grantee and the Company dated as of November 11, 1993.

5. Delivery of Share Certificates. Upon the vesting of any shares of Restricted Stock granted hereunder, the certificates evidencing such shares shall be delivered promptly to the Grantee. In the case of the Grantee's death, such certificates will be delivered to the beneficiary designated in writing by the Grantee pursuant to a form of designation provided by the Company, to the Grantee's legatee or legatees, or to his personal representatives or distributees, as the case may be.

6. Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

7. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of California without reference to rules relating to conflict of law.

8. Headings. Headings are for the convenience of the parties and are not deemed to be a part of this Agreement.

9. Plan. The terms of the Plan, a copy of which is attached hereto, are made part of this Agreement and are incorporated herein by reference. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern.

EXECUTED effective as of the day and year first written above.

MATTEL, INC.

COMPANY:

By: _____

Name:

Title:

GRANTEE:

Name: _____

[Fisher-Price, Inc. letterhead]

[FORM OF EMPLOYMENT AGREEMENT]

August 16, 1993

Executive name
Executive address
Executive city, state and zip code

Dear [Executive]:

This agreement will constitute a revision and amendment to the letter agreement dated February 25, 1992 between [Executive] and Fisher-Price, Inc., a Delaware corporation ("Fisher-Price").

You will continue to be employed by Fisher-Price as its [Title], at a minimum base salary rate of \$_____ per annum ("Base Salary").

You will participate in The Fisher-Price Executive Incentive Bonus Plan dated June 28, 1991 ("Incentive Bonus Plan") at a "Target Incentive Factor" of 35%, a "Corporate/Unit Range of Ratings" of 0.00 to 2.5, and an "Individual Range of Ratings" of 0.00 to 1.5. (All quoted phrases shall have the meanings set forth in the Incentive Bonus Plan.) In addition, you will be issued restricted Common Stock of Fisher-Price under The Long Term Incentive Plan of 1991 ("LTIP") equal to 25% of each actual cash payout to you (whether or not deferred) under the Incentive Bonus Plan.

You will be eligible to participate in all Fisher-Price benefit programs applicable to your position, in accordance with the terms of such benefit programs.

In the event that we terminate your employment for reasons other than a Change of Control as specified below, we shall pay you in a lump sum upon the date of your termination, a payment equal to 18 months of your then annual salary (not less than your Base Salary), a payment, in lieu of any payments or stock due under the Incentive Bonus Plan and the LTIP, of 50% of your then gross annual salary (not less than your Base Salary) for said 18 months, less customary deductions for Federal and state tax withholding and F.I.C.A. deductions, if any, as a severance consideration; provided, however, that if your employment is involuntarily terminated because of death, or any act, material in nature, constituting embezzlement, fraud or any other willful misconduct involving moral turpitude, this agreement shall terminate and you will be paid all salaried amounts and benefits accrued through the date of termination and shall not be entitled

to any other payments. Your right to the payments described in this paragraph shall be conditioned upon your signing an effective waiver of any claims under the Age Discrimination in Employment Act, and any other federal and state employment discrimination laws.

If there is a Change of Control of Fisher-Price and you elect to resign from Fisher-Price or your employment is terminated within eighteen (18) months after said Change of Control (a "Qualified Termination"), Fisher-Price shall pay you in a lump sum, within 10 days of your termination of employment, an amount equal to the product of (x) three, and (y) the sum of your then annual salary (not less than your Base Salary) and the incentive payment calculated under the Incentive Bonus Plan (designated "EIB Award" in said Plan), as in effect immediately prior to the Change of Control, using a Corporate/Unit Rating of 1.50 and an Individual Rating of 1.50, as those terms are used in the Incentive Bonus Plan as in effect immediately prior to the Change of Control. The above payments shall be reduced by customary Federal and state withholding taxes, as required by law. In addition, for three years after a Qualified Termination, Fisher-Price shall continue to provide you with medical insurance no less favorable than that provided to you immediately prior to the Change of Control on terms no less favorable (including co-payments and deductibles) to you than the terms existing immediately prior to the Change of Control. For purposes of determining your eligibility (but not the time of commencement of benefits) for retiree medical benefits you shall be considered to have remained employed until three years after your date of termination and to have retired on the last day of such period. Upon a Change of Control, all shares of restricted Common Stock held by you shall become free of all restrictions and fully vested and all non-statutory options shall become immediately exercisable and fully vested. In the event it shall be determined that any payment or distribution by Fisher-Price for your benefit (whether paid or payable or distributed or distributable pursuant to the terms of this agreement or otherwise, but determined without regard to any additional payments required pursuant to this sentence) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

A "Change of Control" shall be deemed to have occurred if:

- a. Any "Person", which shall mean a "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than Fisher-Price, any trustee or other fiduciary holding securities under an employee benefit plan of Fisher-Price, or any company owned, directly or indirectly, by the stockholders of Fisher-Price in substantially the same proportions as their ownership of stock of Fisher-Price), is or becomes the "beneficial owner" (as defined in Rules 13d-3 under the Exchange Act), directly or indirectly, of securities of Fisher-Price representing 30% or more of the combined voting power of Fisher-Price's then outstanding voting securities;
- b. during any period of 24 consecutive months, individuals, who at the beginning of such period constitute the Board of Directors of Fisher-Price (the "Board"), and any new director whose election by the Board, or whose nomination for election by Fisher-Price's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors (other than in connection with a contested election) before the beginning of the period cease for any reason to constitute at least a majority thereof;
- c. the stockholders of Fisher-Price approve (1) a plan of complete liquidation of Fisher-Price or (2) the sale or disposition by Fisher-Price of all or substantially all of Fisher-Price's assets unless the acquirer of the assets or its directors shall meet the conditions for a merger or consolidation in subparagraphs (d)(1) or (d)(2); or
- d. the consummation of a merger or consolidation of Fisher-Price with any other company other than:
 1. such a merger or consolidation which would result in the voting securities of Fisher-Price outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 70% of the combined voting power of Fisher-Price's or such surviving entity's outstanding voting securities immediately after such merger or consolidation; or

2. such a merger or consolidation, which would result in the directors of Fisher-Price who were directors immediately prior thereto, continuing to constitute at least 50% of the directors of the surviving entity immediately after such merger or consolidation.

In this paragraph d., "surviving entity" shall mean only an entity in which all of Fisher-Price's stockholders immediately before such merger or consolidation become stockholders by the terms of such merger or consolidation, and the phrase "directors of Fisher-Price who were directors immediately prior thereto" shall include only individuals who were directors of Fisher-Price at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation, or who were new directors (other than any director nominated in connection with a contested election, or a director designated by a Person who has entered into an agreement with Fisher-Price to effect a transaction described in paragraphs c.2, d.1 or d.2 of this Section) whose election by the Board, or whose nomination for election by Fisher-Price's stockholders was approved by a vote of at least two-thirds (2/3) of the directors before the beginning of such period.

Except as otherwise provided herein, all individual Federal, State and Excise taxes are your responsibility.

Fisher-Price's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any setoff, counterclaim, recoupment, defense or other claim, right or action which Fisher-Price may have against you or others. In no event shall you be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to you under any of the provisions of the Agreement and such amounts shall not be reduced whether or not you obtain other employment. Fisher-Price agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by Fisher-Price, by you or others, of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof.

If you agree to continue your employment for Fisher-Price upon the terms and conditions set forth in this letter, please sign and date both copies where indicated and return one copy to me.

Very truly yours,

FISHER-PRICE, INC.

/s/ Ronald J. Jackson

Ronald J. Jackson
Chairman, President and CEO

Accepted and Agreed:

- -----
Executive Name

- -----
Dated

[Fisher-Price, Inc. (U.S.A.) letterhead]

[FORM OF EMPLOYMENT AGREEMENT]

August 16, 1993

Executive name
Executive address
Executive city, province and zip code

Dear [Executive]:

This agreement will constitute a revision and amendment to the letter agreement dated March 1, 1993 between [Executive] and Fisher-Price, Inc. a Delaware corporation ("Fisher-Price").

You will continue to be employed by Fisher-Price as its [Title], at a minimum base salary rate of U.S. \$_____ per annum ("Base Salary").

You will participate in The Fisher-Price Executive Incentive Bonus Plan dated June 28, 1991 ("Incentive Bonus Plan") at a "Target Incentive Factor" of 35%, a "Corporate/Unit Range of Ratings" of 0.00 to 2.50, and an "Individual Range of Ratings" of 0.00 to 1.50. (All quoted phrases shall have the meanings set forth in the Incentive Bonus Plan.) In addition, you will be issued restricted Common Stock of Fisher-Price under The Long Term Incentive Plan of 1991 ("LTIP") equal to 25% of each actual cash payout to you (whether or not deferred) under the Incentive Bonus Plan.

In addition, we shall grant you Fisher-Price restricted Common Stock in accordance with the following schedule; provided you remain [Title] of Fisher-Price:

- _____ shares on March 1, 1994
- _____ shares on March 1, 1995
- _____ shares on March 1, 1996

Such grants to be adjusted in the event of any change in the Common Stock of Fisher-Price by reason of any stock dividend, spin-off, split-up, spin-out, recapitalization, merger, consolidation, reorganization, combination or exchange of shares.

For as long as you are a resident of Canada, Fisher-Price shall cause all cash payments described herein to be paid to you to be paid in equivalent Canadian currency by Fisher-Price Inc. a Canadian corporation with a principal place of business in Mississauga, Ontario ("Fisher-Price - Canada"). In addition, you shall be eligible to participate in all Fisher-Price - Canada benefit programs, in accordance with the terms of such benefit programs, and such additional Fisher-Price perquisite programs as may be specified by the Chief Executive Officer of Fisher-Price.

In the event that we terminate your employment for reasons other than a Change of Control as specified below, we shall pay you in a lump sum upon the date of your termination, a payment equal to 18 months of your then annual salary (not less than your Base Salary) a payment, in lieu of any payments or stock due under the Incentive Bonus Plan and the LTIP, of 50% of your then gross annual salary (not less than your Base Salary) for said 18 months, less customary deductions for Federal and state tax withholding and F.I.C.A. deductions or equivalent Canadian deductions, if any, as a severance consideration; provided, however, that if your employment is involuntarily terminated because of death, or any act, material in nature, constituting embezzlement, fraud or any other willful misconduct involving moral turpitude, this agreement shall terminate and you will be paid all salaried amounts and benefits accrued through the date of termination and shall not be entitled to any other payments. Your right to the payments described in this paragraph shall be conditioned upon your signing an effective waiver of any claims under the Age Discrimination in Employment Act (and its Canadian equivalent), and under any other United States and Canadian federal, state, and Provincial employment discrimination laws.

If there is a Change of Control of Fisher-Price and you elect to resign from Fisher-Price or your employment is terminated within eighteen (18) months after said Change of Control (a "Qualified Termination"), Fisher-Price shall pay you in a lump sum, within 10 days of your termination of employment, an amount equal to the product of (x) three, and (y) the sum of your then annual salary (not less than your Base Salary) and the incentive payment calculated under the Incentive Bonus Plan (designated "EIB Award" in said Plan), as in effect immediately prior to the Change of Control, using a Corporate/Unit Rating of 1.50 and an Individual Rating of 1.50, as those terms are used in the Incentive Bonus Plan as in effect immediately prior to the Change of Control. The above payments shall be reduced by customary Federal and state withholding taxes, as required by law. In addition, for three years after a Qualified Termination, Fisher-Price shall continue to provide you with medical insurance no less favorable than that provided to you immediately prior to the Change of Control on terms

no less favorable (including co-payments and deductibles) to you than the terms existing immediately prior to the Change of Control. For purposes of determining your eligibility (but not the time of commencement of benefits) for retiree medical benefits you shall be considered to have remained employed until three years after your date of termination and to have retired on the last day of such period. Upon a Change of Control, all shares of restricted Common Stock held by you shall become free of all restrictions and fully vested and all non-statutory options shall become immediately exercisable and fully vested. In the event it shall be determined that any payment or distribution by Fisher-Price for your benefit (whether paid or payable or distributed or distributable pursuant to the terms of this agreement or otherwise, but determined without regard to any additional payments required pursuant to this sentence) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

A "Change of Control" shall be deemed to have occurred if:

- a. Any "Person", which shall mean a "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than Fisher-Price, any trustee or other fiduciary holding securities under an employee benefit plan of Fisher-Price, or any company owned, directly or indirectly, by the stockholders of Fisher-Price in substantially the same proportions as their ownership of stock of Fisher-Price), is or becomes the "beneficial owner" (as defined in Rules 13d-3 under the Exchange Act), directly or indirectly, of securities of Fisher-Price representing 30% or more of the combined voting power of Fisher-Price's then outstanding voting securities;
- b. during any period of 24 consecutive months, individuals, who at the beginning of such period constitute the Board of Directors of Fisher-Price (the "Board"), and any new director whose election by the Board, or whose nomination for election by

Fisher-Price's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors (other than in connection with a contested election) before the beginning of the period cease for any reason to constitute at least a majority thereof:

- c. the stockholders of Fisher-Price approve (1) a plan of complete liquidation of Fisher-Price or (2) the sale or disposition by Fisher-Price of all or substantially all of Fisher-Price's assets unless the acquirer of the assets or its directors shall meet the conditions for a merger or consolidation in subparagraphs (d)(1) or (d)(2); or
- d. the consummation of a merger or consolidation of Fisher-Price with any other company other than:
 - 1. such a merger or consolidation which would result in the voting securities of Fisher-Price outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 70% of the combined voting power of Fisher-Price's or such surviving entity's outstanding voting securities immediately after such merger or consolidation; or
 - 2. such a merger or consolidation, which would result in the directors of Fisher-Price who were directors immediately prior thereto, continuing to constitute at least 50% of the directors of the surviving entity immediately after such merger or consolidation.

In this paragraph d., "surviving entity" shall mean only an entity in which all of Fisher-Price's stockholders immediately before such merger or consolidation become stockholders by the terms of such merger or consolidation, and the phrase "directors of Fisher-Price who were directors immediately prior thereto" shall include only individuals who were directors of Fisher-Price at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation, or who were new directors (other than any director nominated in connection with a contested election, or a director designated by a Person who has entered into an agreement with Fisher-Price to effect a transaction described in paragraphs c.2, d.1 or d.2 of this Section) whose election by the Board, or whose nomination for election by Fisher-Price's stockholders was approved by a vote

of at least two-thirds (2/3) of the directors before the beginning of such period.

Except as otherwise provided herein, all individual United States or Canadian Federal, State and Provincial Excise taxes are your responsibility.

Fisher-Price's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any setoff, counterclaim, recoupment, defense or other claim, right or action which Fisher-Price may have against you or others. In no event shall you be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to you under any of the provisions of the Agreement and such amounts shall not be reduced whether or not you obtain other employment. Fisher-Price agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by Fisher-Price, by you or others, of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof.

If you agree to continue your employment for Fisher-Price upon the terms and conditions set forth in this letter, please sign and date both copies where indicated and return one copy to me.

Very truly yours,

FISHER-PRICE, INC.

/s/ Ronald J. Jackson

Ronald J. Jackson
Chairman, President and CEO

Accepted and Agreed:

Executive Name

Dated

AMENDMENT

AMENDMENT dated August 16, 1993 to the letter agreement (the "Agreement") dated March 12, 1993 by and between Ronald J. Jackson (the "Executive") and Fisher-Price, Inc., a Delaware corporation (the "Company").

The Executive and the Company agree that the Amendment shall be amended by amending paragraph 5 thereof so that it reads in its entirety as follows:

If there is a Change of Control of Fisher-Price and thereafter you elect to resign from Fisher-Price or your employment is terminated (a "Qualified Termination"), Fisher-Price shall pay you in a lump sum, within 10 days of your termination of employment, an amount equal to the product of (x) three, and (y) the sum of your then annual salary (not less than your Base Salary) and the incentive payment calculated under the Incentive Bonus Plan (designated "EIB Award" in said Plan), as in effect immediately prior to the Change of Control, using a Corporate/Unit Rating of 1.50 and an Individual Rating of 1.50, as those terms are used in the Incentive Bonus Plan as in effect immediately prior to the Change of Control. The above payments shall be reduced by customary Federal and state withholding taxes, as required by law. In addition, for three years after a Qualified Termination, Fisher-Price shall continue to provide you with medical insurance no less favorable than that provided to you immediately prior to the Change of Control on terms no less favorable (including co-payments and deductibles) to you than the terms existing immediately prior to the Change of Control. For purposes of determining your eligibility (but not the time of commencement of benefits) for retiree medical benefits you shall be considered to have remained employed until three years after your date of termination and to have retired on the last day of such period. Upon a Change of Control, all shares of restricted Common Stock held by you shall become free of all restrictions and fully vested and all non-statutory options shall become immediately exercisable and fully vested. In the event it shall be determined that any payment or distribution by Fisher-Price for your benefit (whether paid or payable or distributed or distributable pursuant to the terms of this agreement or otherwise, but determined without regard to any additional payments required pursuant to this sentence) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

For the purposes of this Agreement, a "Change of Control" shall be deemed to have occurred if:

- a. Any "Person", which shall mean a "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than Fisher-Price, any trustee or other fiduciary holding securities under an employee benefit plan of Fisher-Price, or any company owned, benefit plan of Fisher-Price, or any company owned, directly or indirectly, by the stockholders of Fisher-Price in substantially the same proportions as their ownership of stock of Fisher-Price), is or becomes the "beneficial owner" (as defined in Rules 13d-3 under the Exchange Act), directly or indirectly, of securities of Fisher-Price representing 30% or more of the combined voting power of Fisher-Price's then outstanding voting securities;
- b. during any period of 24 consecutive months, individuals, who at the beginning of such period constitute the Board of Directors of Fisher-Price (the "Board"), and any new director whose election by the Board, or whose nomination for election by Fisher-Price's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors (other than in connection with a contested election) before the beginning of the period cease for any reason to constitute at least a majority thereof;
- c. the stockholders of Fisher-Price approve (1) a plan of complete liquidation of Fisher-Price or (2) the sale or disposition by Fisher-Price of all or substantially all of Fisher-Price's assets unless the acquirer of the assets or its directors shall meet the conditions for a merger or consolidation in subparagraphs (d)(1) or (d)(2); or
- d. the consummation of a merger or consolidation of Fisher-Price with any other company other than:
 1. such a merger or consolidation which would result in the voting securities of Fisher-Price outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity more than 70% of the combined voting power of Fisher-Price's or such surviving entity's outstanding voting securities immediately after such merger or consolidation; or

2. such a merger or consolidation, which would result in the directors of Fisher-Price who were directors immediately prior thereto, continuing to constitute at least 50% of the directors of the surviving entity immediately after such merger or consolidation.

In this paragraph d., "surviving entity" shall mean only an entity in which all of Fisher-Price's stockholders immediately before such merger or consolidation become stockholders by the terms of such merger or consolidation, and the phrase "directors of Fisher-Price who were directors immediately prior thereto" shall include only individuals who were directors of Fisher-Price at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation, or who were new directors (other than any director nominated in connection with a contested election, or a director designated by a Person who has entered into an agreement with Fisher-Price to effect a transaction described in paragraphs c.2, d.1 or d.2 of this Section) whose election by the Board, or whose nomination for election by Fisher-Price's stockholders was approved by a vote of at least two-thirds (2/3) of the directors before the beginning of such period.

Except as provided above, the Agreement shall remain in full force and effect.

FISHER-PRICE, INC.

/s/ Rodney V. Campbell

Rodney V. Campbell
Senior Vice President
Chief Administrative Officer

Accepted:

/s/ Ronald J. Jackson

Ronald J. Jackson

As of September 7, 1993

Dated

COMPUTATION OF INCOME PER COMMON AND COMMON EQUIVALENT SHARE

(In thousands, except per share amounts)

PRIMARY	FOR THE YEAR ENDED (A)(B)				
	Dec. 31, 1993	Dec. 31, 1992	Dec. 31, 1991	Dec. 29, 1990	Dec. 30, 1989
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	\$135,911	\$184,841	\$134,038	\$ 95,582	\$ 81,965
Add: Interest savings, net of tax, applicable to assumed exercise of Fisher-Price warrants	637	1,138	594	-	-
Deduct: Dividends on senior preferred stock	(4,894)	(4,826)	(4,830)	(4,811)	(4,830)
Dividends on convertible preference stock	-	(152)	(605)	(605)	(605)
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles for Computation of Income Per Share	131,654	181,001	129,197	90,166	76,530
Extraordinary item	(14,681)	-	(5,236)	-	(10,983)
Cumulative effect of changes in accounting principles	(4,022)	-	-	-	-
Net Income Applicable to Common Shares	<u>\$112,951</u>	<u>\$181,001</u>	<u>\$123,961</u>	<u>\$ 90,166</u>	<u>\$ 65,547</u>
Applicable Shares					
Weighted average common shares outstanding	168,228	169,002	143,367	115,883	114,308
Weighted average common equivalent shares arising from:					
Stock options	1,878	2,319	1,943	3,016	2,942
Fisher-Price warrants	1,076	2,085	1,122	-	-
Common stock warrants - \$6.25 Series	-	-	407	1,615	1,366
Weighted average number of common and common equivalent shares	<u>171,182</u>	<u>173,406</u>	<u>146,839</u>	<u>120,514</u>	<u>118,616</u>
Income Per Share Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	\$ 0.77	\$ 1.04	\$ 0.88	\$ 0.75	\$ 0.64
Extraordinary item	(0.09)	-	(0.04)	-	(0.09)
Cumulative effect of changes in accounting principles	(0.02)	-	-	-	-
Net Income Per Common Share	<u>\$ 0.66</u>	<u>\$ 1.04</u>	<u>\$ 0.84</u>	<u>\$ 0.75</u>	<u>\$ 0.55</u>

(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 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, 1993	Dec. 31, 1992	Dec. 31, 1991	Dec. 29, 1990	Dec. 30, 1989
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	\$135,911	\$184,841	\$134,038	\$ 95,582	\$ 81,965
Add: Interest expense, net of tax, applicable to:					
Assumed conversion of 8% convertible debentures	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)	(605)
Impact of required ESOP dividends or contributions upon conversion	(4,894)	(4,826)	(4,830)	(4,811)	(4,830)
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles for Computation of Income Per Share	136,992	186,468	133,104	90,166	76,530
Extraordinary item	(14,681)	-	(5,236)	-	(10,983)
Cumulative effect of changes in accounting principles	(4,022)	-	-	-	-
Net Income Applicable to Common Shares	=====	=====	=====	=====	=====
Applicable Shares					
Weighted average common shares outstanding	168,363	169,103	143,420	115,883	114,308
Weighted average common equivalent shares arising from:					
Assumed conversion of 8% convertible debentures	7,566	7,793	5,966	-	-
Assumed conversion of convertible preference stock	1,620	1,620	1,620	1,620	1,620
Stock options	2,224	2,657	2,888	3,016	3,957
Fisher-Price warrants	1,076	2,085	1,122	-	-
Common stock warrants - \$6.25 Series	-	-	570	1,615	1,604
Weighted average number of common and common equivalent shares	=====	=====	=====	=====	=====
Income Per Share Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	\$ 0.75	\$ 1.02	\$ 0.85	\$ 0.74	\$ 0.63
Extraordinary item	(0.08)	-	(0.03)	-	(0.09)
Cumulative effect of changes in accounting principles	(0.02)	-	-	-	-
Net Income Per Common Share	=====	=====	=====	=====	=====

(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 1994, June 1992 and November 1991 and the mergers with Fisher-Price and IGI in 1993 and 1992, respectively.

Mattel, Inc. and Subsidiaries

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Mattel, Inc. and Subsidiaries

FIVE-YEAR FINANCIAL SUMMARY

(In thousands, except per share and percentage information)	For the Year (a)(b)				
	1993	1992	1991	1990	1989
Operating Results:					
Net sales	\$2,704,448	\$2,563,525	\$2,046,489	\$1,497,312	\$1,257,555
Gross profit	1,360,978	1,269,766	989,506	716,153	626,111
% of net sales	50%	50%	48%	48%	50%
Operating profit before integration and restructuring charge	414,260	351,661	278,660	193,411	162,416
% of net sales	15%	14%	14%	13%	13%
Integration and restructuring charge (c)	115,000	-	-	-	-
Income before income taxes, extraordinary item and cumulative effect of changes in accounting principles	236,646	282,945	214,326	143,482	109,165
Provision for income taxes	100,735	98,104	80,288	47,900	27,200
Income before extraordinary item and cumulative effect of changes in accounting principles	135,911	184,841	134,038	95,582	81,965
Extraordinary item - loss on debt retirement	(14,681)	-	(5,236)	-	(10,983)
Cumulative effect of changes in accounting principles	(4,022)	-	-	-	-
Net income	117,208	184,841	128,802	95,582	70,982
Income Per Common Share (d):					
Income before extraordinary item and cumulative effect of changes in accounting principles					
Primary	0.77	1.04	0.88	0.75	0.64
Fully diluted	0.75	1.02	0.85	0.74	0.63
Net income					
Primary	0.66	1.04	0.84	0.75	0.55
Fully diluted	0.65	1.02	0.82	0.74	0.54
Dividends declared per common share (d)	0.18	0.15	0.08	0.04	-

(In thousands)	As of Year-End (a)(b)				
	1993	1992	1991	1990	1989
Financial Position:					
Cash and marketable securities	\$ 523,581	\$ 327,807	\$ 290,750	\$ 204,349	\$ 224,477
Accounts receivable, net	580,313	538,444	467,266	266,424	253,849
Inventories	219,993	238,895	225,411	152,134	118,056
Total assets	2,000,077	1,712,675	1,564,832	968,688	868,090
Notes payable to banks	-	13,401	29,733	1,000	-
Long-term liabilities	398,939	434,930	353,575	229,070	244,144
Shareholders' equity	817,809	748,356	664,054	336,586	217,685

- (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 (Note 2).
- (b) The Company's financial reporting year ended on December 31 for years 1991 through 1993 and on the last Saturday of December for years 1989 and 1990.
- (c) The nonrecurring charge represents transaction, integration and restructuring costs related to the Fisher-Price merger.
- (d) Per share data reflect the retroactive effect of stock splits distributed to shareholders in January 1994, June 1992 and November 1991 and the mergers with Fisher-Price and IGI in 1993 and 1992, respectively.

Mattel, Inc. and Subsidiaries

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION

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

The Company's dedication to its long-term business strategies, which include strengthening its core product lines, expansion of its international marketing and distribution network and constant focus on increasing manufacturing efficiency and flexibility, has resulted in another record year with net sales of over \$2.7 billion. Mattel's merger with Fisher-Price completed in the fourth quarter of 1993 is consistent with these strategies and should further enhance the Company's standing as a worldwide leader in the manufacture and marketing of children's toys.

Results of Operations

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

	For the Year		
	1993	1992	1991
Net sales	100%	100%	100%
Gross profit	50	50	48
Advertising and promotion expenses	16	16	15
Other selling and administrative expenses	19	19	19
Integration and restructuring charge	4	-	-
Other expense, net	-	1	1
Operating profit	11	14	13
Interest expense	2	3	3
Income before income taxes, extraordinary item and changes in accounting principles	9%	11%	10%

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, which include Barbie dolls, doll clothes and accessories, Fisher-Price toys and juvenile products, Disney-licensed toys, die-cast vehicles including Hot Wheels, large dolls, preschool toys and the UNO and Skip-Bo card games, 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 contributed revenues totaling \$753.8 million in 1993 compared to \$731.1 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 remained constant from year to year. 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 \$6.5 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.

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 \$17.0 million represented transaction costs of the merger, including investment banking, legal, accounting and related costs, and \$30.0 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 \$68.0 million, approximately \$13.0 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 \$0.53 per share on a primary basis and \$0.50 per share on a fully diluted basis.

Although no assurance can be given, the Company anticipates its integration and restructuring activities will provide cost savings of approximately \$45.0 million during 1994, principally as a result of consolidation of facilities and related staff reductions. Available cash reserves and cash flow generated from normal business operations will fund the costs of the integration and restructuring, with no adverse impact expected on the Company's future liquidity or financial position. Of the total integration and restructuring charge accrued, approximately \$20.2 million had been expended as of December 31, 1993.

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.

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 \$0.08 per fully diluted share, for the prepayment premium and write-off of unamortized issuance costs.

1992 Compared to 1991

The Company's consolidated results of operations include the activities of Fisher-Price for 12 months of 1992 and for the last 6 months of 1991. Prior to July 1, 1991, the business of Fisher-Price was operated as a division of The Quaker Oats Company; therefore, any such prior financial data have been excluded from the Company's combined consolidated financial statements.

Net sales increased \$517.0 million or 25% over 1991, including the effect of a \$314.6 million increase related to Fisher-Price for the 12 months of 1992 over the 6 months of 1991. Excluding Fisher-Price, the Company's worldwide net sales increased \$202.4 million or 12%. The increase in combined net sales included favorable foreign currency impacts of \$26.5 million and an \$86.4 million decrease in Nintendo volume as a result of terminations of the Company's distributorship agreements for Nintendo products in Canada and Italy during the first and third quarters of 1992, respectively.

Worldwide sales of core products increased 30%, and represented 86% of total revenues in 1992 compared to 83% for the prior year. Sales of Disney-licensed products grew 45% over 1991 volumes and Barbie product sales were higher by 15%, while large dolls declined 17%. Sales to customers in the United States were 59% of 1992 consolidated revenues compared to 54% in the prior year. In total, domestic sales increased 36%, partially attributable to Fisher-Price volume which represented 33% and 24% of the Company's domestic sales for 1992 and 1991, respectively. Excluding Fisher-Price, domestic sales of the Company grew 18%. Total international sales increased 13% compared to 1991; at constant rates of exchange, international sales increased 10%. Fisher-Price volume represented 17% and 12% of the Company's international sales for 1992 and 1991, respectively. Excluding Fisher-Price, the Company's international volume increased 7%. International revenues excluding Nintendo grew 26% over the prior year, or 23% at constant rates of exchange.

Gross profit as a percentage of net sales increased two points to 50%, principally as a result of higher sales volume and an improved product mix due to decreased Nintendo volume. Advertising and promotion spending was \$95.4 million over 1991 levels, in support of increased sales of core brands, new product introductions, and further development of markets internationally. The increase also reflects a \$45.0 million differential arising from the inclusion of Fisher-Price's activity on a 12-month basis in 1992 versus a 6-month basis in 1991.

Other selling and administrative expenses increased \$109.3 million, while remaining constant at 19% of net sales. The change in comparison to the prior year reflects a \$15.0 million pre-tax provision for doubtful accounts receivable related to Child World and Lionel Leisure, an increase in design and development expenses in connection with the Company's expansion into new product lines and markets, and a \$61.1 million differential related to inclusion of Fisher-Price results on full year basis compared to 6 months for 1991.

Other expense, net decreased as a result of a reduction in goodwill amortization related to a change in the estimated period of benefit and gains on sales of marketable securities, partially offset by losses on foreign currency transactions. Interest expense for 1992 increased 3% over the prior year, reflecting higher levels of short-

term borrowing, issuance of the 6-7/8% Senior Notes in August 1992, and a \$4.6 million effect of the inclusion of Fisher-Price activity on a 12-month basis compared to 6 months for 1991. These increases were partially offset by a decrease related to retirement of the Company's 14-3/4% Subordinated Debentures in mid-1991.

Income Taxes
- - - - -

The effective income tax rates for 1993 and 1992 were 42.57% and 34.67%, respectively. The increased effective rate for 1993 resulted from certain nondeductible restructuring costs, increased taxable income earned in locations with relatively higher tax rates, and a reduction in the U.S. tax benefit of foreign tax credits associated with current dividends from subsidiaries located in higher tax rate countries. In both years, benefits from foreign tax credit carryforwards were credited to additional paid-in capital to the extent that they resulted from net operating loss carryforwards originating prior to the Company's 1987 quasi-reorganization.

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 \$0.09 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 1993 as a result of profitable operating results and benefits of reduced levels of bank borrowing. Working capital increased to \$687.4 million, and as of year-end, the Company had repaid all of its short-term borrowing. At December 31, 1993, the Company's cash position, including marketable securities, was \$523.6 million, compared to \$327.8 million as of the prior year end, and exceeded outstanding long-term debt by \$195.5 million.

Accounts receivable increased 8% over the prior year level, reflecting increases in fourth quarter sales volume as well as early shipping of 1994 product. Inventories decreased 8% compared to the prior year-end, principally as a result of the termination of the distribution agreements for Nintendo products.

The \$60.8 million net increase in prepaid assets primarily reflects the effect on deferred income tax assets from the Company's adoption of Statement No. 109 in the 1993 first quarter, as well as current tax benefits related to the prepayment of Fisher-Price's long-term debt obligation.

The Company's capitalization is as follows:

(In millions)	December 31, 1993		December 31, 1992	
6-7/8% Senior notes	\$ 99.5	8%	\$ 99.3	9%
6-3/4% Senior notes	100.0	8	-	-
8% Convertible subordinated debentures	74.0	6	97.5	8
Fisher-Price term loan	-	-	98.5	8
Other long-term debt obligations	54.6	5	90.4	8
Total long-term debt	328.1	27	385.7	33
Other long-term liabilities	70.8	6	49.2	4
Shareholders' equity	817.8	67	748.4	63
	\$1,216.7	100%	\$1,183.3	100%
	=====	=====	=====	=====

Total long-term debt decreased as a percentage of total capitalization principally as a result of voluntary conversions of 8% Debentures into common stock by holders of the debt. Shareholders' equity increased 9% over 1992 reflecting profitable operating results for the current year, a credit of \$24.3 million related to conversions of the 8% Debentures, a \$53.0 million credit to paid-in capital related to the adoption of Statement No. 109, and an increase of \$19.0 million for activity related to employee stock compensation plans. These increases were partially offset by treasury stock repurchases of \$52.6 million, dividend declarations on common and preferred stock totaling \$33.8 million, a \$41.1 million net-of-tax charge against paid-in capital related to the cost of terminating a prequasi-reorganization lease commitment and a \$21.2 million unfavorable change in the currency translation component of shareholders' equity.

In July 1992, two venture capital funds, of which Warburg, Pincus & Co. ("Warburg") is the general partner, distributed to their respective general and limited partners approximately 15.2 million shares, representing 90 percent of the funds' shares of the Company's common stock which had been beneficially owned by Warburg. Immediately after the distribution, none of the general or limited partners held more than 5 percent of the Company's outstanding shares of common stock.

Liquidity

Primary sources of liquidity for the Company over the last three years

have been cash flows generated from profitable operations, the proceeds of long-term debt issuances, and short-term seasonal borrowing. Operating activities generated cash flows of \$303.3 million during 1993, compared to \$131.6 million and \$335.0 million in 1992 and 1991, respectively.

Principal investing activities during 1993 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 facility in Indonesia and the \$16.0 million payment of final purchase consideration related to the Company's 1991 acquisition of Aviva Sport, Inc. During 1991, in addition to its acquisition of Aviva Sport, Inc., the Company also acquired the remaining 60% interest in its joint venture with a Mexico City-based group of companies.

Financing activities provided intermediate- and long-term funds through issuances of the 6-3/4% Senior Notes in 1993, the 6-7/8% Senior Notes in 1992 and 8% Debentures in 1991, which were utilized by the Company to retire higher-cost debt and for seasonal financing requirements. Cash outlays for treasury stock were made over the three-year period in order to purchase shares for reissuance 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 its stock splits distributed to common shareholders.

Short-Term Financing

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The Company's seasonal cash flow requirements for the coming year are expected to be met by cash on hand as of December 31, 1993, cash generated by 1994 operations, and short-term credit lines provided by domestic and foreign banks. The Company's new domestic credit line consists of unsecured facilities providing a total of \$500.0 million in seasonal financing from a commercial bank group. The facilities provide up to \$250.0 million for advances and backup for commercial paper issuances (of which \$125.0 million is a 364-day facility and the other \$125.0 million is a 3-year facility), and an additional

3-year facility providing up to \$250.0 million for nonrecourse purchases of certain trade accounts receivable by the bank group. In connection with the agreement, the Company must 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 \$170.0 million of individual short-term foreign credit lines with a number of banks, which customarily are extended as needed to meet seasonal working capital requirements.

Acquisitions

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On November 30, 1993, a merger was consummated between the Company and Fisher-Price, Inc. ("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 approximately 39.1 million pre-split shares valued, on the merger's effective date, at \$1.19 billion. This transaction has been 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 connection with the merger, the Company recognized a one-time charge of \$115.0 million, pre-tax, representing transaction expenses of the merger and projected costs of integrating the business operations of the companies. Of this charge, approximately \$17.0 million represented investment banking, legal, accounting and other transaction costs of the merger, approximately \$30.0 million related to the severance of key Fisher-Price executives, and the remainder represented estimated costs of integration and restructuring activities necessary to align the worldwide business operations of the combined company. This one-time charge recognized in the 1993 fourth quarter was \$90.4 million, net of related taxes, and reduced earnings per share for the year by \$0.53 per share and \$0.50 per share on a primary and fully diluted basis, respectively. Although no assurance can be given, the Company anticipates its integration and restructuring activities will provide cost savings of approximately \$45.0 million during 1994, principally as a result of consolidation of facilities and related staff reductions. Available cash reserves and cash flow generated from normal business operations will fund the costs of the integration and restructuring; no adverse impact is expected with respect to the Company's future liquidity or financial position.

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 1,627,007 (post-split basis) shares of Mattel common stock and 864,293 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, 1993, the Company had outstanding commitments

for 1994 purchases of inventory of approximately \$56.0 million. Licensing and similar agreements with terms extending through the year 2001 contain provisions for future guaranteed minimum payments aggregating approximately \$310.0 million.

Foreign Currency Contracts

The Company enters into foreign currency forward exchange contracts, swaps and options as hedges of inventory purchases, sales and various other intercompany transactions. At December 31, 1993, the Company and its foreign affiliates had outstanding forward exchange contracts totaling \$256.0 million to acquire U.S. dollars and held forward contracts to purchase \$219.4 million in foreign currencies.

Effects of Inflation

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, 1993. The impact of inflation is minimized as a result of rapid turnover of inventories, and the Company has benefited from inflation with respect to repayment of fixed-rate liabilities during these periods. The U.S. Consumer Price Index increased 2.7% in 1993, 2.9% in 1992 and 3.1% in 1991.

Mattel, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

ASSETS (In thousands)	December 31, 1993	December 31, 1992
<hr/>		
Current Assets		
Cash	\$ 506,113	\$ 313,693
Marketable securities	17,468	14,114
Accounts receivable, less allowances of \$21,024 at December 31, 1993 and \$35,115 at December 31, 1992	580,313	538,444
Inventories	219,993	238,895
Prepaid expenses and other current assets	146,863	86,097
	-----	-----
Total current assets	1,470,750	1,191,243
	-----	-----
Property, Plant and Equipment		
Land	15,664	10,560
Buildings	146,622	144,039
Machinery and equipment	240,449	239,495
Capitalized leases	38,209	38,209
Leasehold improvements	41,948	41,336
	-----	-----
	482,892	473,639
	-----	-----
Less: Accumulated depreciation	229,130	216,376
	-----	-----
	253,762	257,263
	-----	-----
Tools, dies and molds, net	73,115	66,882
	-----	-----
Property, plant and equipment, net	326,877	324,145
	-----	-----
Other Noncurrent Assets		
Intangible assets, net	139,277	150,966
Sundry assets	63,173	46,321
	-----	-----
	\$2,000,077	\$1,712,675
	=====	=====

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY (In thousands, except share data)	December 31, 1993	December 31, 1992
<hr/>		
Current Liabilities		
Notes payable to banks	\$ -	\$ 13,401
Current portion of long-term liabilities	104,862	8,914
Accounts payable	175,424	169,917
Accrued liabilities	397,800	267,170
Income taxes payable	105,243	69,987
	-----	-----
Total current liabilities	783,329	529,389
	-----	-----
Long-Term Liabilities		
6-7/8% Senior notes due 1997	99,470	99,344
6-3/4% Senior notes due 2000	100,000	-
8% Convertible subordinated debentures due 2001	73,953	97,547
Mortgage note	45,000	45,000
Term loans	9,689	143,882
Other	70,827	49,157
	-----	-----
Total long-term liabilities	398,939	434,930
	-----	-----
Shareholders' Equity		
Preferred and preference stock	9	9
Common stock \$1 par value, 300,000,000 shares authorized; 172,470,271 shares issued with 169,869,300 shares outstanding for 1993 and 171,700,036 shares issued with 168,931,628 shares outstanding for 1992 (a)	172,470	137,360
Additional paid-in capital	226,528	247,727
Treasury stock at cost; 2,600,971 shares for 1993 and 2,768,408 shares for 1992 (a)	(47,350)	(43,098)
Retained earnings (b)	532,003	448,600
ESOP note receivable	(3,500)	(8,420)
Deferred compensation	(13,003)	(5,650)
Currency translation adjustments (b)	(49,348)	(28,172)
	-----	-----
Total shareholders' equity	817,809	748,356
	-----	-----
	\$2,000,077	\$1,712,675
	=====	=====

Contingencies and Commitments (See accompanying notes.)

(a) Share data for 1992 have been restated for the effects of the five-for-four stock split declared in November 1993.

(b) Since December 26, 1987 (Note 1).

Mattel, Inc. and Subsidiaries

CONSOLIDATED RESULTS OF OPERATIONS

(In thousands, except per share amounts)	For the Year		
	1993	1992	1991
Net Sales	\$2,704,448	\$2,563,525	\$2,046,489
Cost of sales	1,343,470	1,293,759	1,056,983
Gross Profit	1,360,978	1,269,766	989,506
Advertising and promotion expenses	426,698	403,417	308,013
Other selling and administrative expenses	508,105	501,604	392,289
Integration and restructuring charge	115,000	-	-
Interest expense	62,614	68,716	64,334
Other expense, net	11,915	13,084	10,544
Income Before Income Taxes, Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	236,646	282,945	214,326
Provision for income taxes	100,735	98,104	80,288
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting Principles	135,911	184,841	134,038
Extraordinary item - loss on early retirement of debt	(14,681)	-	(5,236)
Income Before Cumulative Effect of Changes in Accounting Principles	121,230	184,841	128,802
Cumulative effect of changes in accounting principles	(4,022)	-	-
Net Income	117,208	184,841	128,802
Preferred and preference stock dividend requirements	4,894	4,978	5,435
Net Income Applicable to Common Shares	\$ 112,314	\$ 179,863	\$ 123,367
Income Per Common and Common Equivalent Share:			
Primary Income Per Share			
Income before extraordinary item and cumulative effect of changes in accounting principles	\$ 0.77	\$ 1.04	\$ 0.88
Extraordinary item - loss on early retirement of debt	(0.09)	-	(0.04)
Cumulative effect of changes in accounting principles	(0.02)	-	-
Net income	\$ 0.66	\$ 1.04	\$ 0.84
Average number of common and common equivalent shares	171,182	173,406	146,839
Fully Diluted Income Per Share			
Income before extraordinary item and cumulative effect of changes in accounting principles	\$ 0.75	\$ 1.02	\$ 0.85
Extraordinary item - loss on early retirement of debt	(0.08)	-	(0.03)
Cumulative effect of changes in accounting principles	(0.02)	-	-
Net income	\$ 0.65	\$ 1.02	\$ 0.82
Average number of common and common equivalent shares	180,849	183,258	155,586
Dividends Declared Per Common Share	\$ 0.18	\$ 0.15	\$ 0.08

The accompanying notes are an integral part of these statements.

Mattel, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the Year		
	1993	1992	1991
Cash Flows From Operating Activities:			
Net income	\$117,208	\$184,841	\$128,802
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	91,970	87,825	75,450
Loss on early retirement of debt, net of tax	14,681	-	5,236
Utilization of net operating loss carryforwards	-	300	1,800
Cumulative effect of changes in accounting principles, net of tax	4,022	-	-
Provision for lease termination, net	(41,120)	-	-
(Increase) decrease in marketable securities	(3,354)	(5,391)	2,435
(Increase) in receivables	(55,525)	(95,706)	(14,252)
Decrease (increase) in inventories	11,842	(24,781)	27,989
Decrease (increase) in prepaid and other current assets	7,319	(20,460)	(14,836)
Increase in payables, accrued liabilities and income taxes payable	161,818	10,068	120,281
Other, net	(5,517)	(5,067)	2,128
Net cash flows from operating activities	303,344	131,629	335,033
Cash Flows From Investing Activities:			
Purchases of tools, dies and molds	(60,809)	(53,611)	(32,371)
Purchases of other property, plant and equipment	(40,060)	(46,434)	(23,368)
Sales of other property, plant and equipment	12,459	2,183	7,560
Investments in acquired businesses, net of cash acquired	-	(17,740)	(63,990)
Other, net	(394)	(841)	(139)
Net cash flows from investing activities	(88,804)	(116,443)	(112,308)
Cash Flows From Financing Activities:			
Notes payable to banks, net	(14,135)	(5,367)	(75,844)
Issuance of 6-7/8% senior notes, net	-	99,294	-
Issuance of 6-3/4% senior notes	100,000	-	-
Issuance of 8% debentures, net	-	-	97,245
Redemption of 14-3/4% debentures	-	-	(104,894)
Redemption of preferred stock of financing subsidiary	-	-	(62,500)
Long-term foreign borrowing	(31,262)	2,717	17,613
Collection of ESOP note receivable	4,920	4,920	4,920
Payment of ESOP notes payable	(4,920)	(4,920)	(4,920)
Redemption of senior preferred stock	-	(5,500)	-
Tax benefit of employee stock options exercised	4,431	12,360	6,800
Exercise of stock options and warrants	8,012	12,212	12,881
Purchase of treasury stock	(52,558)	(52,036)	(15,100)
Purchase of Fisher-Price warrants	-	(8,298)	-
Dividends paid on common stock	(25,582)	(19,083)	(8,110)
Dividends paid on preference stock	(4,894)	(4,826)	(4,830)
Dividends paid on senior preferred stock	-	(1,059)	(1,059)
Other, net	(381)	(947)	(147)
Net cash flows from financing activities	(16,369)	29,467	(137,945)
Effect of Exchange Rate Changes on Cash	(5,751)	(12,987)	(4,626)
Increase in Cash	192,420	31,666	80,154
Cash at Beginning of Year	313,693	282,027	201,873
Cash at End of Year	\$506,113	\$313,693	\$282,027

The accompanying notes are an integral part of these statements.

Mattel, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	Preferred & Preference Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Common Stock Warrants
Balance, December 29, 1990					
As previously reported	\$ 20	\$ 50,117	\$ 115,786	\$ (3,266)	\$ 1,000
Pooling of interests with Fisher-Price, Inc.	-	19,777	189,528	-	-
Net Income					
Five-for-four stock split		17,725	(17,725)		
Purchase of treasury stock				(15,100)	
Amortization of deferred compensation					
Exercise of stock options and warrants		2,015	16,343		(1,000)
Issuance of treasury stock			(1,105)	3,428	
Dividends declared on common stock					
Dividends declared on senior preferred and preference stock					
Utilization of net operating loss carryforwards			1,800		
Collection of ESOP note receivable					
Currency translation adjustments					
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)	\$ -

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 29, 1990					
As previously reported	\$ 185,843	\$(18,260)	\$ -	\$ 5,346	\$ 336,586
Pooling of interests with Fisher-Price, Inc.	(8,586)	-	(5,670)	(1,890)	193,159
Net Income	128,802				128,802
Five-for-four stock split					-
Purchase of treasury stock					(15,100)
Amortization of deferred compensation			945		945
Exercise of stock options and warrants					17,358
Issuance of treasury stock					2,323
Dividends declared on common stock	(9,803)				(9,803)

Dividends declared on senior preferred and preference stock	(5,889)				(5,889)
Utilization of net operating loss carryforwards					1,800
Collection of ESOP note receivable		4,920			4,920
Currency translation adjustments				9,153	9,153
	-----	-----	-----	-----	-----
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
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

Mattel, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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"). Majority-owned subsidiaries are consolidated and less-than-majority-owned subsidiaries are accounted for by the equity method. 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 mergers, accounted for as poolings of interests, with Fisher-Price, Inc. consummated in November 1993 and International Games, Inc. consummated in February 1992.

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. The 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 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):

	1993	1992
Land and buildings	\$37,208	\$37,208
Machinery and equipment	1,001	1,001
	-----	-----
	38,209	38,209
Less: Accumulated amortization	16,538	14,566
	-----	-----
	\$21,671	\$23,643
	=====	=====

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 \$55.4 million and \$46.1 million as of December 31, 1993 and December 31, 1992, 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 3 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 split distributed in January 1994, the three-for-two stock split distributed in June 1992 and the five-for-four stock split distributed in November 1991.

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 preferred and 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 repurchases at the higher of end-of-period or average market prices. Fully diluted earnings represent reported income as 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 forward exchange contracts, swap agreements, and purchased currency options to hedge against foreign currency fluctuations. Realized and unrealized gains and losses resulting from foreign currency transactions are included in income currently, except that gains and losses on contracts which hedge specific foreign currency commitments are deferred and accounted for as part of the transaction. The Company does not speculate in foreign currencies.

NOTE 2 - BUSINESS COMBINATIONS

Fisher-Price, Inc.

On November 30, 1993, a merger was consummated between the Company and Fisher-Price, Inc. ("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 approximately 39.1 million pre-split shares valued, on the merger's effective date, at \$1.19 billion. This transaction has been accounted for as a pooling of interests, and accordingly, financial information for periods prior to the merger (from July 1, 1991 forward) 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.

To effect the restatement, certain adjustments were necessary in order to conform the accounting practices of the two companies. Unamortized goodwill of \$20.2 million related to The Quaker Oats Company's 1969 acquisition of Fisher-Price was written off, with the corresponding charge reflected in the 1991 beginning retained earnings balance for the combined company. The portion of Fisher-Price's inventories being accounted for under the LIFO method were retroactively restated to a FIFO-cost basis, resulting in a net credit to 1991's beginning retained earnings of \$11.6 million. In addition, this change in accounting method resulted in reductions of \$0.6 million and \$0.4 million of Fisher-Price's previously reported net income for the six months ended December 29, 1991 and year ended January 3, 1993,

respectively. In the first quarter of 1993, Fisher-Price adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", by electing to amortize its unrecognized transition obligation over 20 years. To conform Fisher-Price's methodology to that of the Company, immediate recognition of the \$29.4 million transition obligation was reflected in the combined consolidated financial statements, effective as of January 1, 1993. Prior to the merger, Fisher-Price's fiscal year for financial reporting purposes ended on the Sunday closest to the calendar year end; no adjustment to retained earnings in order to conform with the Company's December 31 year end was necessary. In addition, for periods preceding the merger, there were no intercompany transactions which required elimination from the combined consolidated results.

Selected information for the combining entities included in the Consolidated Results of Operations for the three years ending December 31, 1993 is as follows (in thousands):

	For the Year		
	1993	1992	1991 (a)
Net sales			
Mattel	\$1,996,766	\$1,873,364	\$1,670,932
Fisher-Price (b)	707,682	690,161	375,557
Combined	<u>\$2,704,448</u>	<u>\$2,563,525</u>	<u>\$2,046,489</u>
Income before extraordinary item and cumulative effect of accounting changes			
Mattel (c)	\$ 181,083	\$ 143,948	\$ 122,395
Fisher-Price	45,228	40,893	11,643
Integration/restructuring charge (d)	(90,400)	-	-
Combined	<u>\$ 135,911</u>	<u>\$ 184,841</u>	<u>\$ 134,038</u>
Extraordinary item - debt retirement			
Mattel	\$ -	\$ -	\$ (5,236)
Fisher-Price	(14,681)	-	-
Combined	<u>\$ (14,681)</u>	<u>\$ -</u>	<u>\$ (5,236)</u>
Cumulative effect of accounting changes			
Mattel (e)	\$ 14,590	\$ -	\$ -
Fisher-Price (f)	(18,612)	-	-
Combined	<u>\$ (4,022)</u>	<u>\$ -</u>	<u>\$ -</u>
Net income			
Mattel (g)	\$ 195,673	\$ 143,948	\$ 117,159
Fisher-Price	11,935	40,893	11,643
Integration/restructuring charge (d)	(90,400)	-	-
Combined	<u>\$ 117,208</u>	<u>\$ 184,841</u>	<u>\$ 128,802</u>

- (a) Financial information for Fisher-Price represents the six-month period from July 1, 1991 through December 29, 1991. Prior to July 1, 1991, the business of Fisher-Price was operated as a division of The Quaker Oats Company.
- (b) Certain amounts for 1992 and 1991 have been classified differently than previously published amounts in order to conform the accounting presentation of the two entities.
- (c) For 1993, primary and fully diluted earnings per share before accounting changes, the effects of the merger and extraordinary charges, but after adjustment for the five-for-four stock split, were \$1.46 per share and \$1.40 per share, respectively.
- (d) The integration and restructuring charge of \$115.0 million, after related income tax effects, reduced earnings of the combined company by \$90.4 million.
- (e) The net effect on earnings related to the January 1, 1993 adoption of SFAS Nos. 109 and 106 was an increase of \$16.0 million and a decrease of \$1.4 million, net of taxes, respectively.
- (f) The effect on earnings, net of taxes of \$10.7 million, related to the adoption of SFAS No. 106 effective January 1, 1993.
- (g) For 1993, primary and fully diluted net income per share, before the effects of the merger but after adjustment for the five-for-four stock split, were \$1.58 per share and \$1.51 per share, respectively.

In connection with the merger, the Company recognized a one-time charge of \$115.0 million, pre-tax, representing transaction expenses of the merger and projected costs of integrating the business operations of the companies. Of this charge, approximately \$17.0 million represented investment banking, legal, accounting and other transaction costs of the merger, and approximately \$30.0 million related to the severance of key Fisher-Price executives. Of the remaining \$68.0

million estimated for integration and restructuring costs, approximately \$13.0 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. Net of related taxes, the one-time charge recognized in the 1993 fourth quarter was \$90.4 million, which reduced earnings per share for the year by \$0.53 per share and \$0.50 per share on a primary and fully diluted basis, respectively.

Although no assurance can be given, the Company anticipates its integration and restructuring activities will provide cost savings of approximately \$45.0 million during 1994, principally as a result of consolidation of facilities and related staff reductions. Available cash reserves and cash flow generated from normal business operations will fund the costs of the integration and restructuring, with no adverse impact expected on the Company's future liquidity or financial position. Of the total integration and restructuring charge accrued, approximately \$20.2 million had been expended as of December 31, 1993.

International Games, Inc.
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In the first quarter of 1992, the Company completed a merger transaction, also accounted for as a pooling of interests, with International Games, Inc. ("IGI"). The merger, valued at \$58.5 million, was effected by the exchange of Mattel preference stock, Series F, and common stock for all outstanding shares of IGI voting preferred and common stock. Financial information for periods preceding the merger were retroactively restated to reflect the combined operations of the companies.

NOTE 3 - 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		
	1993	1992	1991
U.S. operations	\$127,937	\$179,250	\$116,126
Foreign operations	108,709	103,695	98,200
	<u>\$236,646</u>	<u>\$282,945</u>	<u>\$214,326</u>
	=====	=====	=====

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

	For the Year		
	1993	1992	1991
Current			
Federal	\$ 64,358	\$ 41,648	\$ 30,840
State	11,758	13,300	8,600
Foreign	47,884	47,500	47,800
	<u>124,000</u>	<u>102,448</u>	<u>87,240</u>
Deferred			
Federal	(21,841)	(3,000)	(6,488)
State	(3,629)	(844)	(1,864)
Foreign	(6,640)	(500)	(1,200)
	<u>(32,110)</u>	<u>(4,344)</u>	<u>(9,552)</u>
Provision excluding extraordinary item	91,890	98,104	77,688
Benefit allocated to extraordinary item	8,845	-	2,600
	<u>\$100,735</u>	<u>\$ 98,104</u>	<u>\$ 80,288</u>
	=====	=====	=====

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 \$0.09 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.

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, 1993	January 1, 1993
Deferred compensation	\$ 17,035	\$ 10,729
Sales allowances and inventory reserves	41,225	38,754
Operating loss and tax credit carryovers	68,774	104,798
Excess of tax basis over book basis	6,261	2,641
Postretirement benefits	12,210	11,645

Integration and restructuring charge	21,667	-
Loss on debt retirement	8,845	-
Other	22,271	16,927
	-----	-----
Gross deferred income tax assets	198,288	185,494
	-----	-----
Excess of book basis over tax basis	(8,986)	(11,959)
Depreciation	(2,753)	(6,715)
Retirement benefits	(4,781)	(4,266)
Other	(15,005)	(4,503)
	-----	-----
Gross deferred income tax liabilities	(31,525)	(27,443)
Deferred income tax asset valuation allowances	(52,405)	(73,733)
	-----	-----
Net deferred income tax assets	\$ 114,358	\$ 84,318
	=====	=====

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

	For the Year		
	-----	-----	-----
	1993	1992	1991
	-----	-----	-----
Provision at federal statutory rates	\$ 82,812	\$96,179	\$72,815
Increase (decrease) resulting from:			
Losses without income tax benefit	2,436	9,068	6,121
Foreign earnings taxed at different rates, including withholding taxes	(1,827)	(14,815)	1,579
Tax benefit of future deductions	(994)	3,600	(5,100)
State and local taxes, net of federal benefit	5,417	8,259	4,742
Nondeductible interest	-	-	400
Dividends paid to ESOP	(1,500)	(1,600)	(1,600)
Nondeductible restructuring costs	13,599	-	-
Other	792	(2,587)	1,331
	-----	-----	-----
Total provision	\$100,735	\$98,104	\$80,288
	=====	=====	=====

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 \$322.3 million at December 31, 1993. 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 \$15.4 million would be due upon remittance of these earnings.

The Company has foreign tax credit carryforwards for tax purposes at December 31, 1993 of approximately \$26.4 million which expire in 1994. The Company also has an alternative minimum tax credit carryforward of \$11.9 million with no expiration date. Certain foreign subsidiaries have net operating loss carryforwards totaling approximately \$43.8 million (\$2.3 million with no expiration date; \$41.5 million expiring 1994 to 1998).

The foreign tax credit and alternative minimum tax credit carryforwards will be credited to additional paid-in capital when and if utilized, since they result from net operating loss carryforwards which originated prior to the 1987 quasi-reorganization. In addition, 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 1993, 1992 and 1991, nonqualified stock options exercised resulted in credits to additional paid-in capital totaling \$4.3 million, \$12.1 million and \$6.8 million, respectively.

Legislation enacted in August 1993 increased the U.S. corporate income tax rate from 34 percent to 35 percent, retroactive to January 1, 1993. The tax effect has been reflected in the calculation of the Company's net U.S. deferred income tax asset.

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

NOTE 4 - 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 \$10.0 million, \$9.5 million and \$6.8 million in 1993, 1992 and 1991, respectively. Before the merger, Fisher-Price maintained a number of benefit plans and compensation arrangements. 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 its 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 1993, 1992 or 1991.

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 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, 1993 and January 3, 1993 and for the six months ended December 29, 1991, are detailed below (in thousands):

	For the Period		
	1993	1992	1991
Service cost	\$ 2,928	\$ 2,450	\$ 1,029
Interest cost	6,801	6,214	2,867
Actual return on plan assets	(9,267)	(8,831)	(4,527)

Net amortization and deferral	(2,261)	(1,919)	(560)
	-----	-----	-----
Net pension income	\$ (1,799)	\$ (2,086)	\$ (1,191)
	=====	=====	=====

Reconciliations 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	
	1993	1992
	-----	-----
Vested benefits	\$ 101,596	\$ 78,727
Nonvested benefits	3,979	3,313
	-----	-----
Accumulated benefit obligation	105,575	82,040
Effect of projected future salary increases	5,319	4,494
	-----	-----
Projected benefit obligation	110,894	86,534
Plan assets at fair value	122,237	106,432
	-----	-----
Plan assets in excess of projected benefit obligation	11,343	19,898
Unrecognized net loss	12,308	4,216
Unrecognized prior service cost	3,194	3,502
Unrecognized net asset at transition	(14,130)	(16,700)
	-----	-----
Prepaid pension asset	\$ 12,715	\$ 10,916
	=====	=====

	For the Period		
	1993	1992	1991
	-----	-----	-----

Assumptions:

Weighted average discount rate	7%	8%	8%
Rate of future compensation increases	4%	5%	5%
Long-term rate of return on plan assets	10%	9%	9%

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

Other Retirement Plans
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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 specified percentages of employee compensation, as well as matching 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 merger.

The Company maintains an unfunded supplemental retirement plan which is an unqualified defined benefit plan 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 1993, 1992 and 1991, the accumulated and vested benefit obligations and related expense of these plans were not significant.

The Fisher-Price Profit Sharing and Retirement Savings Plan is maintained for the benefit of certain domestic employees. Effective in 1991, the plan was amended to discontinue further company contributions; however, participant accounts continue to be held pursuant to the plan's provisions.

Employee Stock Ownership Plan
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In January 1987, an employee stock ownership plan (the "ESOP") 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 are paid by the Company in amounts sufficient for the plan to meet its current obligations. Payments to the ESOP for the years ended December 31, 1993 and December 31, 1992 were as follows (in thousands):

	For the Year	
	1993	1992
	-----	-----
Dividends on stock held by ESOP	\$4,900	\$4,830
Company contribution to ESOP	20	90
	-----	-----
	4,920	4,920
Interest on ESOP indebtedness	189	388
	-----	-----
Total payments to ESOP	\$5,109	\$5,308
	=====	=====

In connection with the February 1992 merger, IGI convertible preferred stock held by the ESOP was exchanged for 35,723 shares of the Company's common stock and 864,293 shares of the Company's 12.5% Convertible Preference Stock, Series F. The Company must maintain the ESOP until August 1994 when the ESOP indebtedness will be paid in full, but shall terminate the ESOP no later than December 31, 2000.

Postretirement Benefits
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The Company maintains an unfunded 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 B premiums for current retirees as of July 1, 1993; the plan provides no reimbursement for employees retiring subsequent to that date. 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 (based upon a discount rate of 8.0%, which was adjusted to 7.0% as of year end). 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 an unfunded 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, for their lifetime, participation 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 of service. 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.

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 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. Details of the plan's accumulated benefit obligation and related expense

recognized in the consolidated financial statements as of December 31, 1993 are as follows (in thousands):

Accumulated postretirement benefit obligation:

Retirees	\$19,367
Fully eligible active employees	4,359
Other active employees	5,631

	\$29,357
	=====

Postretirement benefit cost:

Service cost	\$ 475
Interest cost	1,999

Periodic postretirement benefit cost	2,474
Recognition of transition obligation	29,357

	\$31,831
	=====

In determining the \$29.4 million transition obligation, a weighted-average discount rate of 7.0% was used. For participants below 65 years of age, the health care cost trend rate for expected claim costs was assumed to be 13.0% in 1993, declining to 5.5% 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 10.0% in 1993, declining to 5.5% 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 1993 by approximately \$0.3 million and increased the accumulated postretirement benefit obligation as of December 31, 1993 by approximately \$2.0 million.

Incentive Awards

The Company's Long-Term Incentive Plan is a variable compensation plan available to certain key executives of Mattel, Inc. Awards are determined 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 SAR were converted into awards consisting of nonqualified stock options and cash, which amount is payable within the five-year period as established under the SAR program. At December 31, 1993 and 1992, \$13.6 million and \$1.8 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 Board of Directors. At December 31, 1993 and 1992, \$22.4 million and \$17.2 million, respectively, were accrued for awards under these plans.

NOTE 5 - SEASONAL FINANCING AND LONG-TERM DEBT

Seasonal Financing

The Company maintains and periodically revises 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 foreign operations. The agreement in effect during 1993, which was recently renegotiated (see below), was amended in the first quarter of 1993 to increase the total facility to \$350.0 million from \$250.0 million. Within the total facility, up to \$175.0 million was a standard revolving credit line available for either advances or letters of credit in support of commercial paper issuances. Interest was charged at alternate rates selected by the Company not greater than the prime rate charged by the agent bank, plus a commitment fee of 3/8 of one percent of the unused line available for advances and 1/2 of one percent of the amount utilized for standby letters of credit. The remaining \$175.0 million was available for nonrecourse purchases of certain trade accounts receivable of the Company by the commercial bank group providing the credit line. During 1993, proceeds of \$165.0

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 ratios and to maintain certain levels of income.

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. Foreign credit lines total approximately \$170.0 million, a portion of which is used to support letters of credit. The Company expects to extend these credit lines throughout 1994 and believes available amounts will be adequate to meet its seasonal financing requirements.

During 1993, Fisher-Price had available domestic and foreign 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 foreign credit lines will be terminated and its foreign operations will be 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 foreign credit lines is summarized as follows (in thousands):

	For the Year		
	1993	1992	1991
Balance at end of year			
Domestic	\$ -	\$ -	\$ -
Foreign	-	13,400	29,700
Maximum amount outstanding			
Domestic	167,000	258,800	277,100
Foreign	76,100	264,700	180,700
Average borrowing			
Domestic	45,100	114,300	107,600
Foreign	55,100	156,300	101,800
Weighted average interest rate on average borrowing, computed monthly			
Domestic	3.5%	4.4%	6.3%
Foreign	8.5%	11.2%	12.5%

Effective in March 1994, the Company renegotiated its revolving credit agreement. The new agreement consists of unsecured facilities providing a total of \$500.0 million in seasonal financing from the same group of commercial banks. The facilities provide for up to \$250.0 million in advances and backup for commercial paper issuances (\$125.0 million of which is a 364-day facility and the other \$125.0 million is a 3-year facility), and up to an additional \$250.0 million (a 3-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.

Fisher-Price Term Loan

The current portion of long-term liabilities as of December 31, 1993 includes \$100.0 million of term indebtedness to insurance companies. The debt required quarterly interest payments at a rate of 10.69% per annum, and had a final maturity date of June 30, 2000. 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 \$0.08 per fully diluted share. At December 31, 1992, the \$98.5 million obligation outstanding, net of unamortized discounts, was included in term loans.

In connection with this debt agreement, 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 1,173,507 common shares (post-merger, post-split basis). As of the effective date of the merger, the Company agreed to assume Fisher-Price's obligations pursuant to the provisions of the warrants. The exercise of all outstanding warrants by the holders would result in delivery of approximately 1,075,880 shares of the Company's common stock at an exercise price of \$7.45555 per share, after adjustment for the merger and five-for-four stock split. In addition, change-of-control provisions of the warrants allow 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. The Company has not received notification from holders as to their intentions with respect to exercise of the warrants.

ESOP Refinancing Notes Payable ("ESOP Notes")

As of December 31, 1993, the current portion of long-term liabilities includes the remaining ESOP Notes of \$3.5 million. The ESOP Notes, which are supported by letters of credit, are scheduled to mature in August 1994. The interest rate charged as of December 31, 1993 was 3.1%, representing 94.25% of LIBOR. Because the interest rate is adjusted monthly, the carrying amount of this obligation approximates its fair value.

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. Bid prices for each \$1,000.00 par value of the 6-7/8% Senior Notes, as provided by one of the underwriters, were \$1,041.80 and \$975.02 as of December 31, 1993 and 1992, respectively.

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, commencing on November 15, 1993. 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, 1993, the bid price for the 6-3/4% Senior Notes, as provided by one of the underwriters, was \$1,025.32 based on a par value of \$1,000.00.

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

In March 1991, the Company issued \$100.0 million aggregate principal amount of 8% Debentures, with a maturity date of March 15, 2001 and semiannual interest payments due on each March 15 and September 15. Proceeds from this issuance were used to redeem \$62.5 million of preferred stock issued by a financing subsidiary and for general corporate purposes. The quoted prices provided by underwriters for the 8% Debentures as of December 31, 1993 and 1992 were \$1,722.50 and \$1,695.00, respectively, based on a par value of \$1,000.00.

The terms of the 8% Debentures provide for early redemption at the option of the Company at anytime on or after March 15, 1994. On February 9, 1994, the Company issued its Notice of Redemption to the holders. The redemption price is 104.571% of the principal amount, together with interest accrued to March 15, 1994, the final interest payment date. In lieu of redemption, holders may elect to convert the 8% Debentures into the Company's common stock at an conversion price of \$12.83 per share. During the 1993 fourth quarter, holders tendered \$24.3 million par value of the 8% Debentures for conversion into common shares.

Mortgage Note

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 \$53.0 million and \$54.0 million at December 31, 1993 and 1992, respectively.

Term Loans
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Term loans include foreign term loans and, as of December 31, 1992, the Fisher-Price long-term loan and the ESOP Notes. Foreign term loans primarily consist of an Indonesian loan of \$6.0 million, secured by local assets and guaranteed by the Company. The loan, which matures in 1997, bears interest at the lending bank's short-term rate plus 1-3/4 percent. Other foreign borrowings include \$1.1 million of unsecured Malaysian export financing revolving on a long-term basis under an open-ended term, bearing interest at 6.0%. The interest rates on foreign term borrowings are adjusted periodically, thus the carrying amount is a reasonable estimate of fair value.

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

Year	Senior and Subordinated Debt	Mortgage Note	Term Loans	Capitalized Lease Obligations	Total
1994	\$ 75,700	\$ -	\$107,900	\$ 200	\$183,800
1995	-	-	2,600	200	2,800
1996	-	400	2,100	2,400	4,900
1997	100,000	500	600	100	101,200
1998	-	500	-	100	600

14-3/4% Subordinated Debentures
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In July 1991, the Company redeemed its 14-3/4% Subordinated Debentures with a remaining principal amount of \$99.1 million at 105.9% of par. The write-off of unamortized discount associated with the debt together with the early redemption premium resulted in an extraordinary charge of \$4.5 million, net of an income tax benefit of \$2.6 million.

Preferred Stock of Financing Subsidiary
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In May 1991, a financing subsidiary of the Company exercised its option to redeem \$62.5 million of its variable rate, asset-backed preferred stock held by unrelated investors. The write-off of unamortized issuance costs resulted in an extraordinary charge of \$0.7 million.

NOTE 6 - SHAREHOLDERS' EQUITY
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Preference Share Purchase Rights
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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
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The Company is authorized to issue 3,000,000 shares of \$1.00 par value preferred stock and 20,000,000 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, 1,500,000 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, 864,293 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 one and seven-eighths shares of Mattel common stock at any time up to 30 days after repayment of the ESOP note receivable, and into .683316 shares of common stock thereafter. The aggregate liquidation preference of the Series F shares as of December 31, 1993 was \$30.3 million, or \$39.056 per share reduced by the per share effect of ESOP debt outstanding.

Common Stock

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Concurrently with their approval of the Fisher-Price merger, shareholders of the Company voted to amend the Mattel, Inc. certificate of incorporation to increase the number of common shares authorized from 150,000,000 to 300,000,000 shares in order to accommodate issuance of common stock pursuant to the Fisher-Price merger, potential conversions of the 8% Debentures, future stock splits and for future awards pursuant to the Company's stock option plans.

Stock Options

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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, 1993 and 1992 a total of 12,417,405 shares and 4,184,378 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 1993, restricted stock awards granted to Mattel executives totaled 593,750 shares. The market value of these shares as of the date of grant is reflected as deferred compensation in shareholders' equity, and is being amortized over the restriction period which lapses on January 1, 1997.

The following is a summary of stock option information for the Company's plans during the year:

Nonqualified Plans	Options Outstanding	
	Number (a)	Price (a)
Outstanding at December 31, 1991	6,925,865	\$ 2.77 to \$12.90
Granted	2,045,324	11.33 to 19.60
Exercised	(1,939,523)	2.77 to 10.99
Canceled	(260,399)	3.63 to 17.67
Outstanding at December 31, 1992	6,771,267	2.77 to 19.60
Granted	4,833,781	12.20 to 23.90
Exercised	(1,063,433)	2.77 to 19.60
Canceled	(547,723)	3.63 to 19.60
Outstanding at December 31, 1993	9,993,892	2.77 to 23.90
Options exercisable at:		
December 31, 1992 (b)	1,531,457	
December 31, 1993 (c)	4,218,697	

- (a) Number of options and prices reflect the retroactive effect of the Fisher-Price merger, a five-for-four stock split distributed in January 1994 and a three-for-two stock split distributed in June 1992.
- (b) Average exercise price - \$9.22 per share. Expiration dates vary from July 12, 1994 to July 20, 2002.
- (c) Average exercise price - \$14.03 per share. Expiration dates vary from July 12, 1994 to December 15, 2003.

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 a one-time increase of 3,000,000 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 merger exchange ratio, of Mattel common stock. Accordingly, 300,547 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.

Common Stock Repurchase Plan

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 up to 10 million shares over the next four years. During 1993 and 1992, the Company purchased 2,080,000 and 1,436,000 shares, respectively. At the time of the five-for-four stock split in 1993 and the three-for-two stock split in 1992, the number of treasury shares was increased as a result of the splits by 520,194 shares and 582,661 shares, respectively. Shares repurchased, less 2,213,949 shares reissued in 1993 and 532,377 shares reissued in 1992, are included in treasury stock.

Common Stock Warrants - \$6.25 Series

Warrants to purchase 1,000,000 shares of the Company's common stock at \$6.25 per share were exercisable until their July 13, 1991 expiration

date; 910,000 warrants were exercised and 90,000 were repurchased from the holders. These share data do not reflect adjustment for the common stock splits, all of which occurred after the warrants' expiration date.

Dividends and Capital Transactions

On November 30, 1993, the Board of Directors declared a five-for-four stock split on the Company's common stock, distributable on January 7, 1994 to shareholders of record as of December 17, 1993. Accordingly, \$34.3 million was transferred from additional paid-in capital to common stock, representing the par value for additional shares issued, including the effect of the split on shares issued pursuant to the Fisher-Price merger. Similar transfers were made between paid-in capital and common stock in the amounts of \$48.0 million and \$17.7 million to reflect the respective declarations of a three-for-two stock split in May 1992 and a five-for-four stock split in October 1991.

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 7 - COMMITMENTS AND CONTINGENCIES

Leases

The Company routinely enters into noncancellable 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, 1993 (in thousands):

	Capitalized Leases -----	Operating Leases -----
1994	\$ 800	\$ 29,000
1995	900	26,300
1996	3,100	21,400
1997	400	14,700
1998	400	13,500
Thereafter	11,400	25,100
	-----	-----
	17,000 (a)	130,000
Less: Sublease commitments	1,000	400
	-----	-----
	\$16,000	\$129,600
	=====	=====

(a) Includes \$11.7 million of imputed interest.

Rental expense under operating leases amounted to \$33.8 million, \$32.1 million and \$21.3 million for 1993, 1992 and 1991, respectively, net of sublease income of \$0.4 million, \$2.8 million and \$1.6 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

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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.

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 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, by retaining flexibility with respect to currencies used for international borrowing arrangements and in the invoicing of transactions between international affiliates, and by varying the degree of coverage of individual foreign currency exposures, which may alternatively be left open, partially or fully hedged.

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, 1993, the Company had outstanding commitments for 1994 purchases of inventory of approximately \$56.0 million. As of December 31, 1992, the Company had commitments for 1993 purchases of inventory of approximately \$64.0 million. The licensing and related agreements provide for terms extending from 1994 through 2001 and contain provisions for future minimum payments as shown in the following table (in thousands):

	Minimum Payments -----
1994	\$ 37,000
1995	37,000
1996	36,000
1997	38,000
1998	38,000
Thereafter	124,000

	\$310,000
	=====

Royalty expense for the years ended December 31, 1993, 1992 and 1991 was \$69.2 million, \$50.2 million and \$38.8 million, respectively, with increases in 1993 and 1992 attributable principally to the Disney license.

Foreign Currency Contracts

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The Company enters into foreign currency forward exchange contracts, swaps and options as hedges of inventory purchases, sales and various other intercompany transactions. At December 31, 1993, the Company and its foreign affiliates had outstanding forward contracts to purchase

U.S. dollars and to sell Canadian, British and other European currencies to obtain U.S. dollars totaling \$256.0 million in 1994. These contracts hedge \$202.8 million of future inventory purchases and \$53.2 million of intercompany borrowing and other intercompany transactions. Based on broker quotes, if the Company had entered into contracts involving the same currencies and maturity dates on December 31, 1993, it would have received \$248.0 million in 1994. At December 31, 1992, the Company and its foreign affiliates had outstanding forward contracts totaling \$273.0 million to purchase U.S. dollars and to sell Italian, British, French, Japanese, Australian and Canadian currencies to obtain U.S. dollars. If acquired on December 31, 1992, contracts for the same currencies and maturity dates would have totaled \$258.6 million, based on broker quotes.

At December 31, 1993, the Company held forward contracts to purchase \$219.4 million in German, Malaysian, Italian, Hong Kong and other currencies. The contracts, which expire on various dates during 1994, hedge \$127.6 million of future sales and \$91.8 million of intercompany borrowings. Based on broker quotes, contracts for the same currencies and maturity dates would have purchased the equivalent of \$222.7 million at 1993 year-end rates. At December 31, 1992, the Company held forward contracts to purchase \$153.4 million in British, Hong Kong, Malaysian, Belgian and German currencies. Based on broker quotes, contracts for the same currencies and maturity dates acquired on December 31, 1992 would be worth the equivalent of \$159.0 million at 1992 year-end rates.

As of December 31, 1992, Fisher-Price held forward currency options involving British and Canadian currencies in the amount of \$35.2 million. The options, which hedged

future transactions and expired within twelve months, were purchased at a cost of \$0.5 million and were valued at \$1.5 million, based on broker quotes, as of December 31, 1992.

Letters of Credit
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The Company had outstanding irrevocable letters of credit in the amount of \$31.8 million and \$22.5 million as of December 31, 1993 and 1992, 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 is estimated to be the same as the contract values based on the nature of the fee arrangements with the issuing banks.

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.

NOTE 8 - FINANCIAL INFORMATION BY GEOGRAPHIC AREA
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The Company's business consists of the design, manufacture and marketing of toys on a worldwide basis. The Company's foreign operations are located principally in Europe, Canada, Latin America and the Far East. Consolidated liabilities of these subsidiaries were approximately \$300.4 million, \$311.3 million and \$342.5 million at December 31, 1993, 1992 and 1991, 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 Australia, Austria, the Benelux countries, Canada, Chile, France, Germany, Greece, Italy, Japan, Mexico, Scandinavia, Spain, Switzerland, the United Kingdom, and in certain areas of Eastern Europe and Asia. In addition to direct sales, the Company's products are marketed principally through distributors in Central and South America, the Middle East and Southeast Asia. In 1994, the Company will begin selling its products directly in Argentina, Portugal and Venezuela through newly established offices. The Company also licenses some of its products to other manufacturers for sale in Brazil 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 1993 consolidated net sales, were \$598.7 million and \$277.3 million, respectively. At December 31, 1993, accounts receivable from Toys R Us and Wal-Mart were \$156.8 million and \$63.2 million, respectively. In 1992 and 1991, worldwide sales to Toy R Us, the only customer accounting for more than 10% of consolidated net sales, were \$466.4 million and \$289.9 million, respectively. At December 31, 1992, accounts receivable from Toys R Us and Wal-Mart were \$114.4 million and \$69.6 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
----------------	-----------	---------------------------	------------------------

1993
 - - - - -

United States	\$1,873,249	\$ 187,923	\$ 718,688
Europe and Canada	908,030	68,270	545,406
Far East 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
Far East 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
	=====	=====	=====
1991			
- - - - -			
United States	\$1,073,272	\$ 162,584	\$ 582,732
Europe and Canada	784,072	93,551	581,230
Far East and Latin America	793,930	66,115	245,986
	-----	-----	-----
	2,651,274	322,250	1,409,948
Sales and transfers between geographic areas (a)	(604,785)	-	-
Interest expense	-	(64,334)	-
Corporate and other	-	(43,590)	154,884
	-----	-----	-----
Consolidated total	\$2,046,489	\$ 214,326	\$1,564,832
	=====	=====	=====

(a) Primarily from the Far East 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, 1993 (a)				
Net sales	\$477,184	\$576,618	\$896,732	\$753,914
Gross profit	226,703	287,150	462,576	384,549
Advertising and promotion expenses	68,489	83,390	139,392	135,427
Other selling and administrative expenses	117,430	121,789	137,523	131,363
Integration and restructuring charge (b)	-	-	-	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	\$0.10	\$0.23	\$0.61	(\$0.17)
Net income	0.08	0.23	0.61	(0.26)
Average number of common and common equivalent shares	171,254	170,685	170,609	170,647
Fully diluted income per common share (d):				
Income before extraordinary item and accounting changes	\$0.10	\$0.23	\$0.58	(\$0.17)
Net income	0.08	0.23	0.58	(0.26)
Average number of common and common equivalent shares	180,699	180,285	180,335	169,640
Dividends declared per common share (d)	\$0.040	\$0.048	\$0.048	\$0.048
Common stock market price (d)				
High	\$23.10	\$21.10	\$22.80	\$24.60
Low	16.40	17.10	18.50	21.50

Year Ended December 31, 1992 (a)

Net sales	\$476,889	\$562,433	\$797,197	\$727,006
Gross profit	224,393	279,883	407,845	357,645
Advertising and promotion expenses	66,933	78,078	121,084	137,322
Other selling and administrative expenses	110,540	129,621	129,961	131,482
Other expense (income), net	4,860	4,753	4,190	(719)
Operating profit (c)	42,060	67,431	152,610	89,560
Net income	18,495	32,299	84,436	49,611
Preferred and preference stock dividend requirements	(1,388)	(1,179)	(1,206)	(1,206)
Net income applicable to common shares	17,107	31,120	83,230	48,405
Primary income per share (d):				
Net income	\$0.10	\$0.18	\$0.48	\$0.28
Average number of common and common equivalent shares	173,736	173,418	173,465	172,648
Fully diluted income per share (d):				
Net income	\$0.10	\$0.18	\$0.46	\$0.27
Average number of common and common equivalent shares	183,293	183,030	183,075	182,228
Dividends declared per common share (d)	\$0.026	\$0.040	\$0.040	\$0.040
Common stock market price (d)				
High	\$18.87	\$20.60	\$20.60	\$21.60
Low	15.87	15.80	16.90	17.70

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

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

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

(d) Per share information and market prices for all periods reflect the retroactive effect of stock splits distributed to shareholders in January 1994 and June 1992 and the

November 1993 merger with Fisher-Price.

NOTE 10 - SUPPLEMENTAL FINANCIAL INFORMATION

(In thousands)	As of Year-End	
	1993	1992
Inventories include the following:		
Raw materials and work in process	\$ 50,927	\$ 59,018
Finished goods	169,066	179,877
	=====	=====
	\$219,993	\$238,895

Prepaid expenses and other current assets include the following:		
Deferred income taxes	\$101,776	\$ 29,151
	=====	=====

Accrued liabilities include the following:		
Integration and restructuring charge	\$ 94,774	\$ -
Advertising and promotion	80,396	86,306
Compensation	58,582	48,590
Royalties	25,917	16,808
Other	138,131	115,466
	=====	=====
	\$397,800	\$267,170

(In thousands)	For the Year		
	1993	1992	1991
Selling and administrative expenses include the following:			
Research and development	\$75,415	\$76,619	\$55,510
Provision for doubtful accounts	4,169	21,665	6,560

Statement of Cash Flows

For the years ended December 31, 1993, 1992 and 1991, cash paid for interest totaled \$76.1 million, \$67.8 million and \$62.1 million, respectively. Cash paid for incomes taxes in each of the three years was \$55.7 million, \$72.5 million and \$52.5 million, respectively.

Significant noncash investing, financing and operating activities during 1993 were as follows:

- The November 1993 merger with Fisher-Price in a stock-for-stock transaction neither used nor provided cash (see Note 2). 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.
- Conversions by holders of \$24.3 million aggregate par value of the 8% Debentures during the 1993 fourth quarter resulted in the issuance of 1,896,580 shares (post-split basis) of the Company's common stock from its treasury.
- 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.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

Postemployment Benefits

Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits", is effective for fiscal years beginning after December 15, 1993. This statement addresses the treatment of costs related to postemployment plans not already accounted for under SFAS Nos. 87 or 106, and requires that employers who provide benefits to former or inactive employees after employment, but before retirement, account for such costs on an accrual basis rather than as expenditures are made. The Company's practice has been to accrue its obligation for such benefits when circumstances indicate it is probable a liability has been incurred and the amount or range of amounts are reasonably estimable. Therefore, there will be no effect on the Company's financial position and results of operations as a result of this pronouncement.

Charitable Contributions

Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made", was issued in June 1993. The statement, which is effective for fiscal years beginning after December 15, 1994, provides that contributions received or made, including unconditional promises for such gifts, be recognized in the periods received or made at their fair values. The Company supports the Mattel Foundation with annual cash contributions which currently are accrued monthly in the year of the pledge. Thus, the statement will have no effect on the Company's results of operations or amount of expense recognized in any year, only the timing of recognition with respect to interim periods.

Mattel, Inc. and Subsidiaries

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, are retained to audit the Company's consolidated financial statements. Their report on their audits of the accompanying financial statements is shown herein. This report states that the audits were made in accordance with generally accepted auditing standards. These standards do not include a study and evaluation of internal control for the purpose of expressing an opinion thereon but do include a study and evaluation for the purpose of establishing a basis for reliance thereon relative to the scope of their audits of these consolidated financial statements.

/s/ Michael G. McCafferty

Michael G. McCafferty
Executive Vice President and Chief Financial Officer

Mattel, Inc. and Subsidiaries

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, based upon our audits and the reports of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, 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, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, 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 and 1991 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 and \$372,994,000 for the periods ended January 3, 1993 and December 29, 1991, respectively. Those statements were audited by other auditors whose reports thereon have 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 reports 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 reports of other auditors provide a reasonable basis for the opinion expressed above.

As discussed in Notes 3 and 4 to the Consolidated Financial Statements, the Company changed its method of accounting for income taxes and for postretirement benefits other than pensions in 1993.

/s/ Price Waterhouse

Los Angeles, California
February 8, 1994

Mattel, Inc. and Subsidiaries

DIRECTORS AND OFFICERS

Board of Directors

John W. Amerman (1)	Chairman and Chief Executive Officer, Mattel, Inc.
Jill E. Barad	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 J. Jackson	Former Chairman, President and Chief Executive Officer, Fisher-Price, Inc.
E. Robert Kinney	Former President and Chief Executive Officer, General Mills, Inc.
Ronald M. Loeb (3)	Partner, Irell & Manella
Edward H. Malone (1)(2)(4)	Retired Vice President, General Electric Co.
John H. Mullin III	Chairman, Ridgeway Farm, Inc.
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
Michael G. McCafferty	Executive Vice President and Chief Financial Officer
E. Joseph McKay	Senior Vice President, Human Resources and Administration
N. Ned Mansour	Senior Vice President, General Counsel and Secretary
Gary P. Rolfes	Senior Vice President and Controller
William Stavro	Vice President and Treasurer

Mattel, Inc. and Subsidiaries

CORPORATE INFORMATION

Transfer Agent and Registrar
Mattel, Inc. Common Stock
The First National Bank of Boston
Shareholder Services Division
150 Royall Street, Canton, Massachusetts 02021 or
P.O. Box 644, Boston, Massachusetts 02102
Telephone: 617-575-2900

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 540215
Canton, Massachusetts 02021 or
P.O. Box 1618, Boston, Massachusetts 02105

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

Common Shareholders
As of March 1, 1994, there were approximately 45,000
holders of record of Mattel, Inc. Common Stock

Annual Meeting
The Annual Meeting of Shareholders will be held May
11, 1994, 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, 1993, is available upon request by
writing to the Secretary of the Company, 333
Continental Boulevard, El Segundo, California 90245

Trademark Legends
Disney characters: [copyright] The Walt Disney Company.
Happy Meal Magic is a trademark of McDonald's Corporation.
Nickelodeon is licensed for use by MTV Networks, a
division of Viacom International, Inc. Polly Pocket
and Mighty Max are trademarks owned by Bluebird Toys
(UK) Ltd., England.

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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 S.A.R.L.	France	100%
Fisher-Price Beteiligungs-G.m.b.H.	Germany	100%
Fisher-Price Spielwaren-G.m.b.H.	Germany	100%
Fisher-Price (Hong Kong) Ltd.	Hong Kong	100%
Fisher-Price, S.r.l.	Italy	100%
Fisher-Price de Acuna, S.A. de C.V.	Mexico	100%
Fisher-Price de Mexico, S.A. de C.V.	Mexico	100%
Fisher-Price de Baja California, S.A. de C.V.	Mexico	100%
Fisher-Price, S.A.	Spain	100%
Fisher-Price Ltd.	U.K.	100%
Fisher-Price Toys Ltd.	U.K.	100%
International Games, Inc.	Delaware	100%
International Games, Ltd.	Cayman Islands	100%
Mabamex, S.A. de C.V.	Mexico	100%
Mattel B.V.	The Netherlands	100%
Mattel Chile S.A.	Chile	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 GmbH	Germany	100%
Mattel Toys K.F.T.	Hungary	100%
Mattel Spol. S.R.O.	Czech Republic	100%

(1) All of the subsidiaries listed above are included in the Consolidated Financial Statements. Four are not named because, when considered in the aggregate, they do not constitute a significant subsidiary. Furthermore, approximately fifteen 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 Gesellschaft m.b.H.	Austria	100%
Mattel Holding, Inc.	Delaware	100%
Mattel U.K. Limited	U.K.	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 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%
Mattel Servicios, S.A. de C.V.	Mexico	100%
Mattel de Mexico, S.A. de C.V.	Mexico	100%
Mattel Sales Corp.	California	100%
Mattel Scandinavia A/S	Denmark	100%
Mattel T Company Limited	Hong Kong	100%
Mattel Tools Sdn.Bhd.	Malaysia	100%
Mattel Toys, Inc.	California	100%
Mattel Toys (HK) Limited	Hong Kong	100%
Mattel Toys (Singapore) Pte. Ltd.	Singapore	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. Four are not named because, when considered in the aggregate, they do not constitute a significant subsidiary. Furthermore, approximately fifteen 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.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in each of the five Registration Statements on Form S-8 (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. 33-40434 and No. 33-46947) of Mattel, Inc. and its subsidiaries of our report dated February 8, 1994, appearing on page 51 of the December 31, 1993 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 Schedules, which appears on page 30 of the Company's Annual Report on Form 10-K.

/s/ PRICE WATERHOUSE

Los Angeles, California
March 24, 1994

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accounts we hereby consent to the incorporation of our report included in this Form 10-K, into Mattel, Inc.'s previously filed Registration Statements on Form S-8 File Nos. 33-52723, 33-14717, 33-51454, 33-34920, and 33-57082 and into Mattel, Inc.'s Prospectus constituting part of the two Registration Statements on Form S-3 File Nos. 33-40434 and 33-46947.

/s/ ARTHUR ANDERSEN & CO.

Rochester, New York
March 23, 1994

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Mattel, Inc. on Form S-8 (No. 33-52723, No. 33-14717, No. 33-51454, No. 33-34920 and No. 33-57082) and on Form S-3 (No. 33-40434 and No. 33-46947) of our report dated February 4, 1993, on our audit of the consolidated financial statements and financial statement schedules of Fisher-Price, Inc. as of January 3, 1993 and for the fiscal year then ended, which report is included in this Annual Report on Form 10-K.

/s/ COOPERS & LYBRAND

Rochester, New York
March 22, 1994