Mattel, Inc.
Earnings Conference Call
Third Quarter 2014

(Unaudited Results)

OCTOBER 16, 2014

BRYAN STOCKTON – CHAIRMAN AND CEO

KEVIN FARR – CFO

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

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

Q3 2014 Key Takeaways

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

- Gross sales of $2.2 billion, down (-7%), including a 1 ppt unfavorable impact from currency
  - North American Region* gross sales down (-7%), with no impact from currency
  - International Region** gross sales down (-7%), including a 1 ppt unfavorable impact from currency
- Gross margin of 50.5%, down 330 basis points from prior year
  - About half of the decline attributable to MEGA Brands, including an acquisition-related inventory fair value adjustment
  - Remainder attributable primarily to retail and Mattel-owned inventory clean up and negative mix
  - Product cost inflation was consistent with expectations and offset by pricing actions and savings from OE 3.0 programs
- Continued to shift advertising and trade spend programs into the fourth quarter to better align with consumer behavior
- SG&A expense was down, <u>including</u> costs related to the MEGA Brands acquisition
  - Includes $15 million of integration costs and amortization of intangibles
- Operating income of $409 million and earnings per share of $0.97 (includes a negative impact of $0.05 per share from MEGA integration costs*** and a tax benefit of $0.04 per share)

Made progress on YTD POS and inventory; better-positioned to execute in the holiday season

- Improving global POS trends; global POS up low-single-digits, with international up mid-single-digits and domestic improving to down low-single digits
- Excluding MEGA Brands, U.S. retail inventory down high-teens and international retail inventories down, with pockets of high retail inventory remaining in certain international markets
- Significant progress in reducing Mattel-owned inventories, which were down about $50 million year-over-year, excluding MEGA Brands

Industry growing; added building blocks for the future

- Toy industry remains strong (+4%) with U.S. toy market up and Euro 5 up per NPD Group through August
- Acquisition of MEGA Brands in Q2 expands reach into fast-growing construction and arts & crafts NPD categories

Remained financially disciplined in capital deployment strategy and maintained a strong balance sheet

- Paid Q3 dividend of $0.38/share on September 19, 2014, up 6% vs. prior year
- Declared Q4 2014 dividend of $0.38/share, up 6% vs. prior year

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

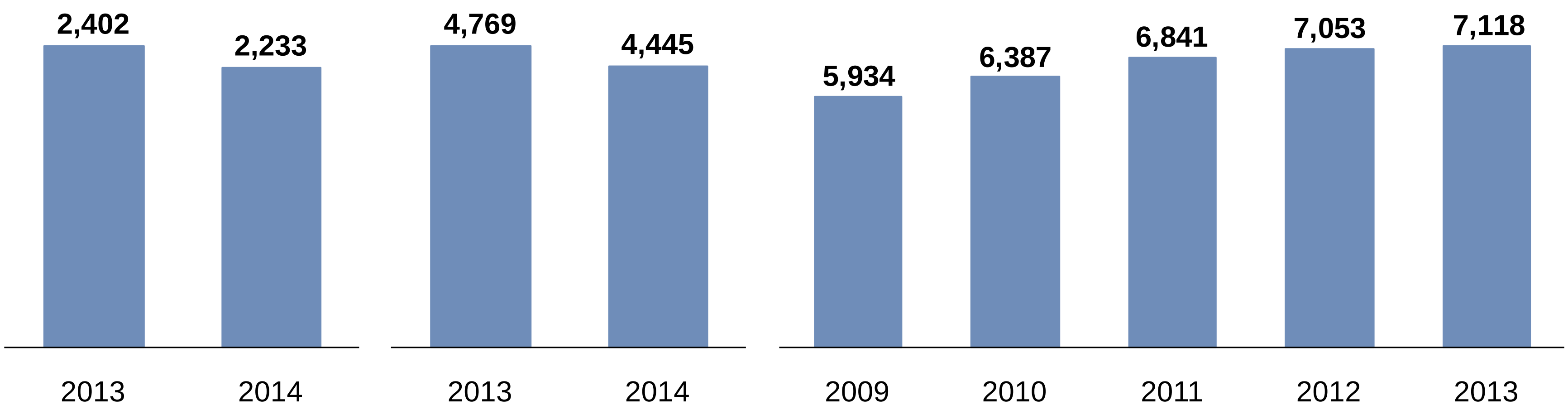
Worldwide Gross Sales

Third Quarter 2014
($ In Millions – Unaudited)

Quarter
-7%

Year-to-Date
-7%

Historical Trend Full Year



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

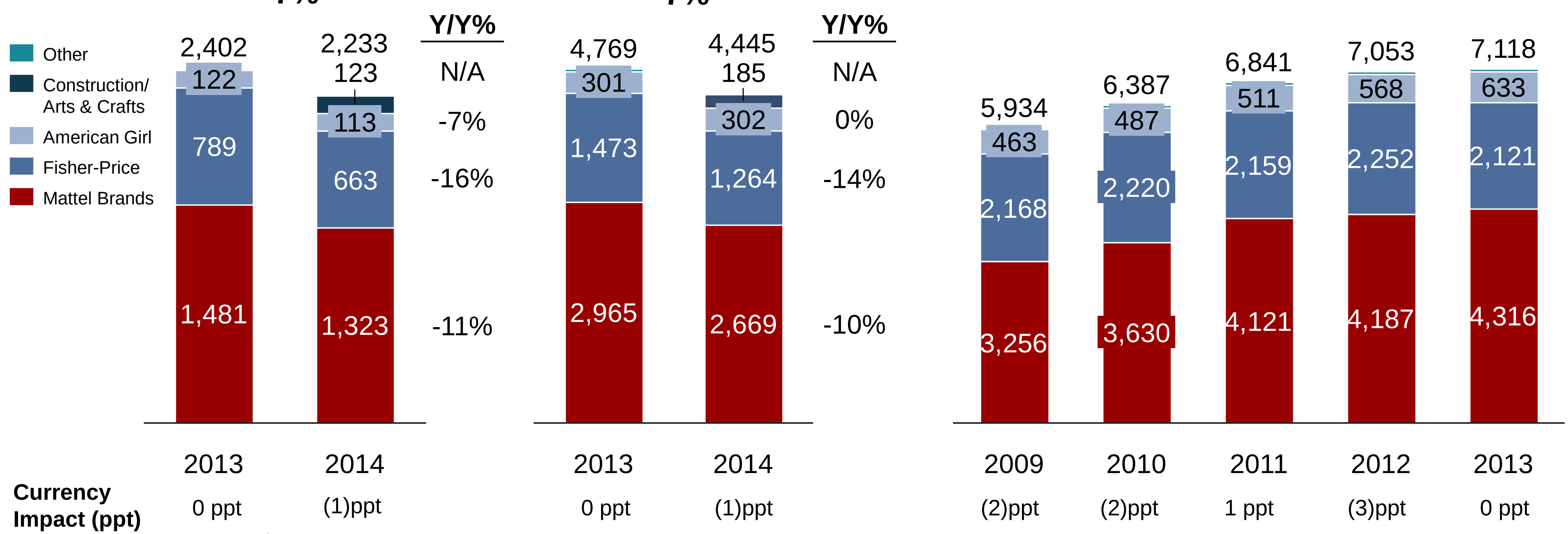
- WW gross sales down (-7%) in the quarter and down (-7%) for the first nine months
  - North American Region* declined (-7%) in the quarter
  - International Region** declined (-7%) in the quarter, including a 1 ppt unfavorable impact from currency
- Year-to-date shipping impacted by higher retail inventories to start the year, lack of POS momentum in core brands, shift in advertising and trade programs into Q4, headwinds from Monster High and changes in certain U.S. retailer inventory management strategies
- Made good progress on inventory in the quarter
  - Excluding MEGA Brands, U.S. retail inventory down high-teens and international retail inventories down, with pockets of high retail inventory remaining in certain international markets
  - Mattel owned-inventory down about $50 million or 6% year-over-year (up about $20 million or 2% including MEGA)

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

Worldwide Gross Sales by Brand

Third Quarter 2014
($ In Millions – Unaudited)

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



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

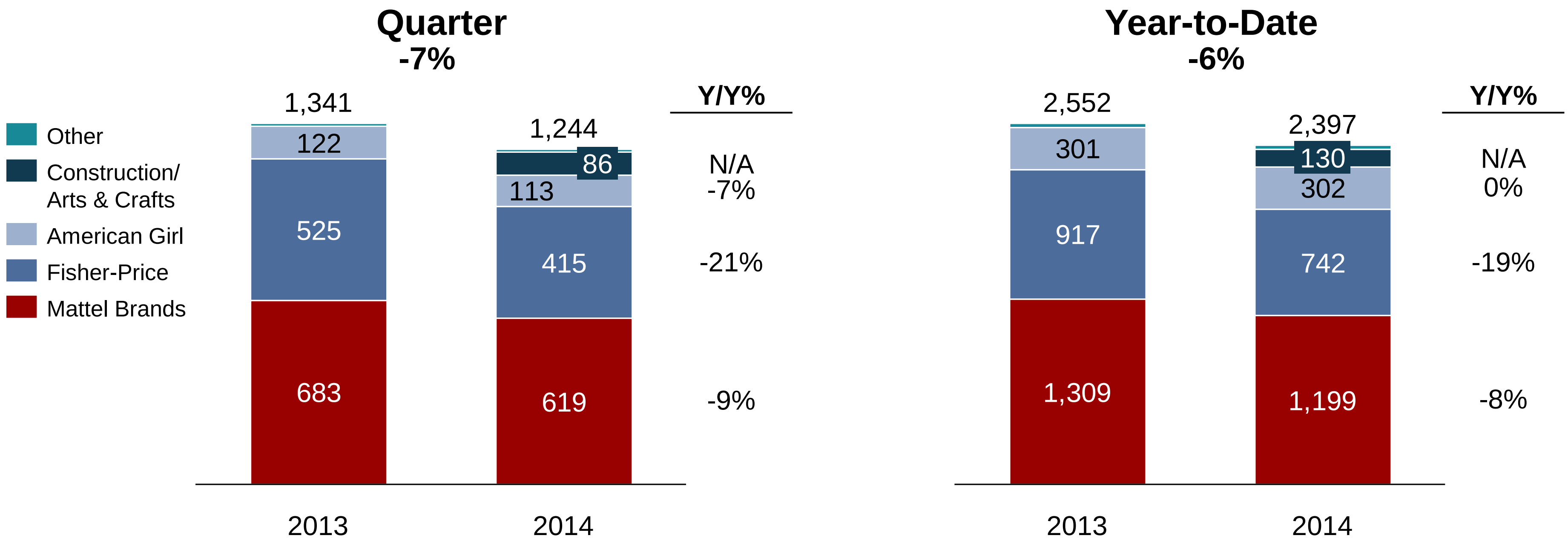
Fisher-Price
- Declines in Fisher-Price core brands, primarily Little People and Imaginext, and tough comps related to some Fisher-Price Friends licensed entertainment properties, which was partially offset by growth in Thomas & Friends

American Girl
- Retirement of popular “Molly” Historical Doll last year, partially offset by encouraging early results from “BeForever” Historical Doll re-launch and Canada expansion

Construction/Arts & Crafts
- MEGA Brands early results consistent with expectations as international markets transition from distributor models to Mattel subsidiaries

North American Region Gross Sales by Brand

Third Quarter 2014
($ In Millions – Unaudited)



Currency Impact (ppt)	2013	2014	2013	2014
	0 ppt	0 ppt	0 ppt	0 ppt

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

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American Girl
- Retirement of popular "Molly" Historical Doll last year, partially offset by encouraging early results from "BeForever" Historical Doll re-launch and Canada expansion

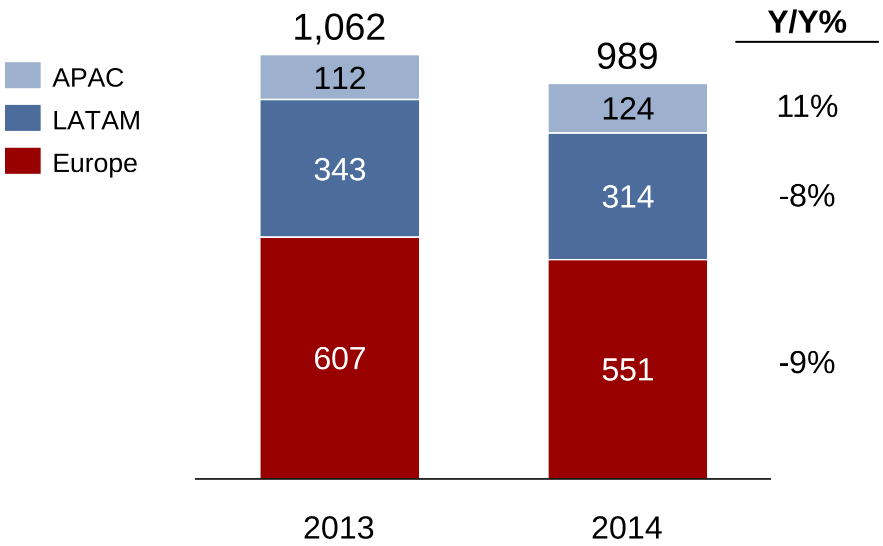
Construction/Arts & Crafts
- MEGA Brands early results consistent with expectations

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

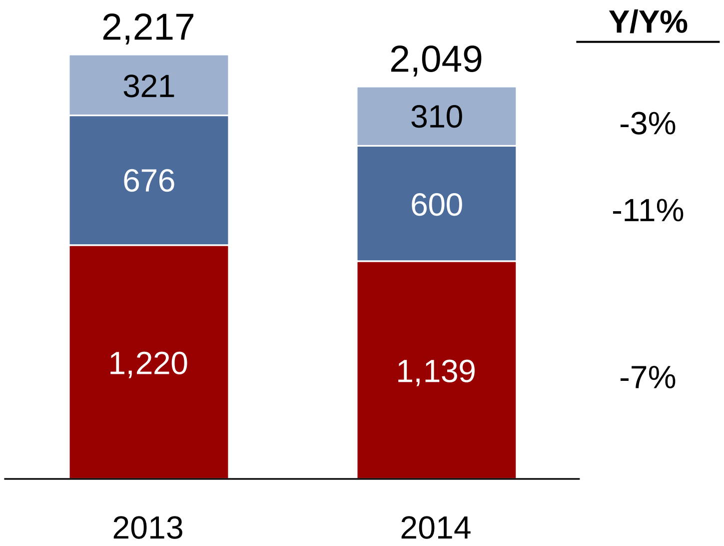
International Gross Sales by Region

Third Quarter 2014
($ In Millions – Unaudited)

Quarter
-7%



Year-to-Date
-8%



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

Europe

- Revenues down (-9%), including a 2 ppt unfavorable impact from currency; soft performance of key brands and progress on reducing high retail inventories, partially offset by strength in Russia subsidiary

LATAM

- Revenues down (-8%), with no impact from currency; soft performance of key brands and progress on reducing high retail inventories in markets like Brazil

APAC

- Revenues up (+11%), including a 2 ppt favorable impact from currency; continued strength in China and Southeast Asia, partially offset by softness in India

Note: International Region includes International Division (see Appendix)

Gross Margin

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

	Quarter	Year-to-Date
Prior Year:	**53.8%**	**53.3%**
Change Primarily Driven By:		
Pricing	↑	↑
O.E. 3.0	↑	↑
MEGA Brands	↓	↓
Input Costs	↓	↓
Product Mix	↓	↓
Currency	↓	↓
Other Product-Related	↓	↓
Current Year:	**50.5%**	**49.5%**
Change:	**(330) bps**	**(380) bps**

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

Q3 2014 Drivers

- About 150 bps of the 330 bps decline was due to MEGA Brands, including 30 bps related to the inventory fair value adjustment
- Of the remainder:
  - About two-thirds due to inventory clean up and reduced leverage of fixed manufacturing costs
  - Remainder primarily due to changes in mix within the Girls portfolio
- Pricing and OE 3.0 offsetting cost inflation

YTD 2014 Drivers

- About 140 bps of the 380 bps decline was due to MEGA Brands
- Of the remainder:
  - About three-quarters due to inventory clean up and reduced leverage of fixed manufacturing costs
  - Remainder primarily due to changes in mix
- Pricing and OE 3.0 offsetting cost inflation

2014 Factors

- Ongoing MEGA Brands headwind expected to be roughly 100 bps
- Negative mix challenges could persist given headwinds in Monster High

Near-Term Objective

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

SG&A

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

	Quarter		Year-to-Date	
	In Millions	**% of Sales**	**In Millions**	**% of Sales**
Prior Year:	**$410**	**18.6%**	**$1,172**	**26.8%**
Change Primarily Driven By:				
O.E. 3.0	↓		↓	
Incentive & Equity Comp	↓		↓	
Employee-Related Costs	↓		↓	
Intangible Impairment	↔		↓	
Strategic Growth Investments	↑		↑	
MEGA Brands	↑		↑	
Other (including severance)	↑		↑	
Current Year:	**$393**	**19.4%**	**$1,169**	**29.0%**
Change:	**($17)**	**+80bps**	**($3)**	**+220bps**

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

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

Q3 2014 Drivers

- SG&A spending was down including MEGA Brands
- Primarily due to lower accruals for incentive and equity compensation as well as OE 3.0 cost savings
- Includes ongoing MEGA Brands SG&A spending and $15 million of integration costs*

2014 Objective

- Continue to tightly manage SG&A
- Focused on balancing investments to fund strategic growth initiatives with ongoing costs to run the business.

Operational Excellence 3.0

Third Quarter 2014
($ In Millions – Unaudited)

	Global Cost Leadership		Operational Excellence 2.0		Operational Excellence 3.0						
						2014					
	2009-2010 Total	% of Gross	2011-2012 Total	% of Gross	2013 Actual	Q1 Act	Q2 Act	Q3 Act	YTD Act	FY Target	2013-2014 Total Target
Savings											
Gross Margin	$89	40%	$42	23%	$51	$12	$14	$26	$52		
SG&A*	$108	48%	$122	65%	$8	$3	$11	$11	$25		
Advertising	$28	12%	$23	12%	$1	$1	$0	$4	$5		
Gross Savings	**$225**	**100%**	**$187**	**100%**	**$60**	**$16**	**$25**	**$41**	**$82**	**$115**	**$175**
Severance/Investment	(13)		(39)		(21)	(24)	(12)	(4)	(40)	***Run rate***	
Net Savings	**$212**		**$148**		**$39**	**($8)**	**$13**	**37**	**$42**		

- Global Cost Leadership, OE 2.0 and the first year of OE 3.0 programs exceeded expectations and delivered over $450 million in gross savings
- Strong progress in the first nine months with $82 million of gross savings
- OE 3.0 initiatives to focus on:
  - Packaging Optimization
  - Manufacturing Efficiencies: Automation and LEAN
  - Enterprise Quality: Design for Manufacturing
  - Operational Efficiencies: NAD Initiative, Enhanced International Clustering, and global reduction in force
  - Indirect Procurement
- Severance expense was driven by actions related to driving operational efficiencies

* Includes $81 million of Legal Savings in OE 2.0

Operating Income

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

	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
Prior Year:	**$528**	**23.9%**	**$689**	**15.8%**
Change Primarily Driven By:				
Sales Volume		↓		↓
Gross Margin		↓		↓
Advertising & Promotion		↑		↑
SG&A		↓		↓
Currency		↓		↓
Current Year:	**$409**	**20.3%**	**$417**	**10.3%**
Change:	**($119)**	**(360)bps**	**($272)**	**(550)bps**

Q3 Operating Income $409 Million

- Q3 and YTD decrease driven by lower sales, gross margin and reduced SG&A leverage due to lower sales volumes
- Advertising and promotion spending reflects shift to Q4
- Q3 and YTD SG&A spending was down in absolute dollars, including MEGA Brands, but higher as a percentage of sales

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

EPS

Third Quarter 2014
($ Per Share – Unaudited)

	Quarter	Year-to-Date
Prior Year:	**$1.21**	**$1.52**
Change Primarily Driven By:		
Operating Income	↓	↓
Non-Operating Income / Expense	↔	↑
Taxes	↑	↑
Share Count	↑	↑
Current Year:	**$0.97**	**$1.02**
Change:	**($0.24)**	**($0.50)**
	(20%)	**(33%)**

Q3 EPS of $0.97

Q3 2014 Drivers

- Includes a negative impact of $0.05 per share from MEGA Brands integration costs*
- Decrease driven by lower operating income, partially offset by lower tax expense and share count

Q3 ’14 tax benefit of $0.04
Q3 ’13 tax benefit of $0.05

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

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

MEGA Brands

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

	Line Item	Q2 Actual	Q3 Actual	Oct – Dec 2014 Estimate	Full-Year 2014 Estimate
Inventory Fair Value Adjustments	Gross Margin	$8	$7	$0	$15
Acquisition and Integration Costs	SG&A	$11	$5	$14-$24	$30-$40
Amortization of Intangibles	SG&A	$5	$10	$10	$25
Total		**$24**	**$22**	**$24-$34**	**$70-$80**

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

Cash Flow*

Nine months ending 2014
($ In Millions – Unaudited)

	2013	2014
Net Income	$535	$349
Depreciation	$132	$152
Amortization	$13	$25
Change in Working Capital & Other	($1,001)	($670)
Net Cash (Used for) Operations	**($321)**	**($144)**
Capital Spending	($179)	($172)
Acquisitions	$0	($423)
Other Investing	$3	($9)
Net Cash (Used for) Investing	**($176)**	**($604)**
Payments of Long-Term Borrowing	($350)	($45)
Net Proceeds from Long-Term Borrowing	$495	$495
Share Repurchases**	($400)	($128)
Dividends	($372)	($386)
Financing Activities and Other	$195	$35
Net Cash (Used for) Financing Activities & Other	**($432)**	**($29)**
Change in Cash	***($929)***	***($777)***
Cash at Beginning of Period	**$1,336**	**$1,039**
Cash at End of Period	**$406**	**$262**

Cash Flow from Ops
Primarily driven by changes in working capital

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

Dividend
Paid quarterly dividend of $0.38 (+6%)

*Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.
**Cash paid for share repurchases in 2013 included $24 million of payments related to shares acquired in 2012

APPENDIX

Reporting Guide

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

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