

# Mattel, Inc.

## Earnings Conference Call

### First Quarter 2015

(Unaudited Results)



APRIL 16, 2015

**CHRISTOPHER SINCLAIR – CHIEF EXECUTIVE OFFICER**

**RICHARD DICKSON – CHIEF OPERATING OFFICER**

**KEVIN FARR – CHIEF FINANCIAL OFFICER**





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 2014 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: To supplement the financial results presented in accordance with generally accepted accounting principles in the United States (“GAAP”), Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures presented in this slide presentation include gross sales, adjusted other selling and administrative expenses, adjusted operating (loss) income, adjusted (loss) earnings per share and constant currency. Mattel uses these metrics to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance, and each is discussed in detail on the following page. These measures are not, and should not be viewed as, substitutes for GAAP financial measures. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the attached Appendix and our earnings release is available in the “Investors” section of our corporate website, <http://corporate.mattel.com/>, under the subheading “Financial Information – Earnings Releases.”

## ***Gross sales***

Gross sales represent sales to customers, excluding the impact of sales adjustments. Net sales, as reported, include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross sales as a metric for comparing its aggregate, brand, and geographic results to highlight significant trends in Mattel's business. Changes in gross sales are discussed because, while Mattel records the detail of such sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with individual products, making net sales less meaningful.

## ***Adjusted other selling and administrative expenses***

Adjusted other selling and administrative expenses represents Mattel's reported other selling and administrative expenses, adjusted to exclude the impact of restructuring and restructuring-related expenses and costs associated with the acquisition and integration of an acquired business. Adjusted other selling and administrative expenses is presented to provide additional perspective on underlying trends in Mattel's core other selling and administrative expenses.

## ***Adjusted operating (loss) income***

Adjusted operating income represents Mattel's reported operating income, adjusted to exclude the impact of restructuring and restructuring-related expenses and costs associated with the acquisition and integration of an acquired business. Adjusted operating income is presented to provide additional perspective on underlying trends in Mattel's core operating results.

## ***Adjusted (loss) earnings per share***

Adjusted earnings per share represents Mattel's reported diluted earnings per common share, adjusted to exclude the impact of restructuring and restructuring-related expenses, costs associated with the acquisition and integration of an acquired business, and certain tax benefits. Each adjustment is tax effected, if necessary, and divided by the reported weighted average number of common and potential common shares to determine the per-share impact of the adjustment. Adjusted earnings per share is presented to provide additional perspective on underlying trends in Mattel's core earnings.

## ***Constant currency***

Percentage changes in results expressed in constant currency are presented excluding the impact from changes in currency exchange rates. To present this information, current period and prior period results for entities reporting in currencies other than US dollar are translated to US dollars using consistent exchange rates, rather than using the actual exchange rate in effect during the respective periods. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from changes in currency exchange rates. Mattel analyzes constant currency results to provide additional perspective on underlying trends in Mattel's operating performance.



# BUSINESS STRATEGY OVERVIEW



# Two complementary businesses

## GLOBAL LIFESTYLE BRANDS



### KEY CAPABILITIES:

- Brand management
- Exploit untapped IP potential
- Content

## TOY & GAME PLATFORMS



### KEY CAPABILITIES:

- Product / Category management
- Global entertainment licensing
- Speed to market

## SHARED BENEFITS OF SCALE:

Consumer / Toy Insights

Design Expertise

Global Supply Chain

Commercial Excellence

High-value Partnerships



# Six strategic priorities

## Exploiting The Franchise Strength Of Our Core Brands

- Exploit our IP-based brands' untapped potential
- Focus on brand management/marketing, product innovation, content, digital and new partnerships to expand reach and relevance

## Re-establishing Toy Leadership

- Build on our heritage as an entrepreneurial toymaker
- Greater emphasis on product invention, speed-to-market, rapid socialization, promotion and new partnerships

## Strengthening Our Global Supply Chain

- Aggressively reduce system costs
- Maintain focus on improving quality and safety
- Support system-wide improvements in speed-to-market and customer satisfaction

## Achieving Excellence In Our Commercial Organization

- Expand relationship with our omnichannel partners
- Deliver more engaging retail experiences
- Drive conversion and repeat purchase

## Rapidly Expanding In Emerging Markets

- Accelerate growth in key emerging markets like China and Russia
- Invest in expanded sales and distribution capabilities

## Continuously Driving Cost Improvement

- Simplify organizational structure and optimize processes
- Restore profitability
- Reinvest for growth



# Near-term tactical roadmap

## Brands

Re-vitalize & restore growth to MB Girls portfolio

- ✓ Marketing
- ✓ Innovation
- ✓ Relevance

Reinforce points of differentiation and customization

- ✓ Innovation
- ✓ New executions
- ✓ Global retail expansion

Position Fisher-Price as the premier global brand in early child development

Expand international presence

- ✓ 70<sup>th</sup> Anniversary Celebration

## Partnerships

Use technology to:

- ✓ Breathe new life into IP
- ✓ Expand our capabilities
- ✓ Improve speed to market

Access content/distribution channels that resonate with our target audience

Secure entertainment licenses

Expand depth and breadth of strategic partnerships

## Commercial Execution

Continue investment in omnichannel presence

Maintain emerging market momentum

Explore New Monetization Models

Expand Consumer Products

Extend Toy Platforms

Funding our **FUTURE**

Improve Speed to Market

Reinvest for growth

Restore profitability



# Q1 2015 FINANCIAL PERFORMANCE





# Q1 2015 Key Takeaways

## ✓ New leadership focused on growth and improved profitability; expanding strategic partnerships

- Rapidly changing culture to focus on brand building, creativity, innovation, and speed to market
- Significant progress on advancing strategic partnerships in technology, insights, and content

## ✓ Encouraging trends in underlying business; offset by foreign exchange headwinds

- Global POS was up low-single digits, with similar trends in both U.S. and International markets
- Unfavorable impact due to foreign exchange expected to grow throughout the year
- Worldwide gross sales up 6% in constant currency (-2% as reported)
  - North American Region\* gross sales up 9% in constant currency (+8% as reported)
  - International Region\*\* gross sales up 2% in constant currency (-14% as reported)
- Improved retail inventory situation but still pockets in some international markets, particularly Europe

## ✓ P&L reflects investments to improve top-line momentum and execute the turnaround

- Significant Q1 investments in Funding Our Future cost savings initiative
- Gross margin of 48.8% was down 210 basis points versus prior year
  - Primarily due to mix headwinds, including the acquisition of MEGA Brands, as well as higher royalty expenses
  - Higher product-related costs were essentially offset by price increases and cost savings
- Advertising was higher reflecting investments to support key brands and spending in emerging markets
- Adjusted SG&A expense was flat, but higher on a reported basis primarily due to the addition of MEGA Brands
- Adjusted operating loss of \$14.6 million and adjusted net loss per share of \$0.08 (includes \$0.03 unfavorable FX impact). Reported operating loss of \$54.5 million and net loss per share of \$0.17 (includes \$0.03 unfavorable FX impact).

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

- Company announced Q2 dividend of \$0.38/share, flat to prior year
- Owned inventory down about \$70 million excluding MEGA Brands

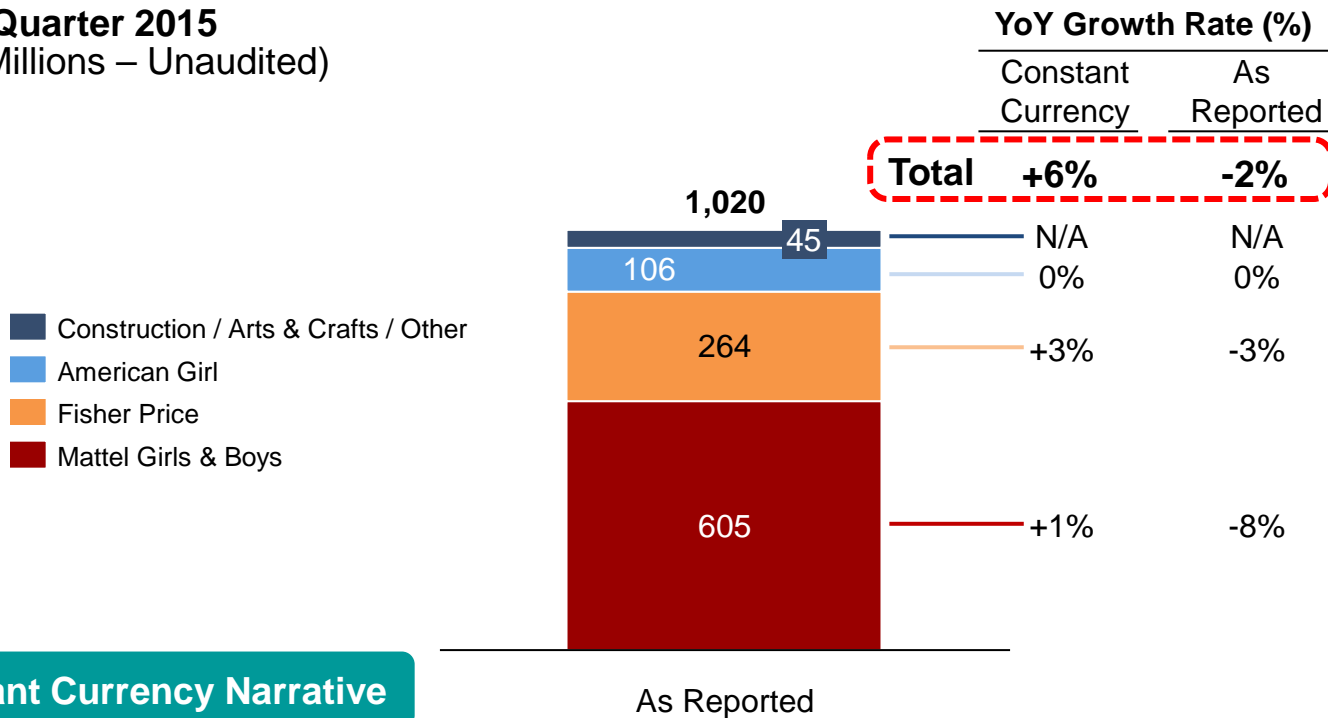
\* Includes U.S., Canada, and American Girl (AG) (see Appendix)

\*\* Includes International Division (see Appendix)



# Worldwide Gross Sales by Brand\*

**First Quarter 2015**  
(\$ in Millions – Unaudited)



## Constant Currency Narrative

### Mattel Brands

- Strength in Disney Princess and Minecraft licenses, and growth in Hot Wheels, largely offset by declines in Monster High and softness in other licensed entertainment properties

### Fisher-Price

- Strength in Thomas & Friends and Baby Gear, partially offset by licensed entertainment in Fisher-Price Friends

### American Girl

- Solid results for Girl of the Year and newly refreshed “BeForever” historical line. New retail stores in Orlando and Charlotte and Indigo shop-in-shops in Canada exceeding expectations. Offset by softness in other product lines.

### Const./A&C/Other

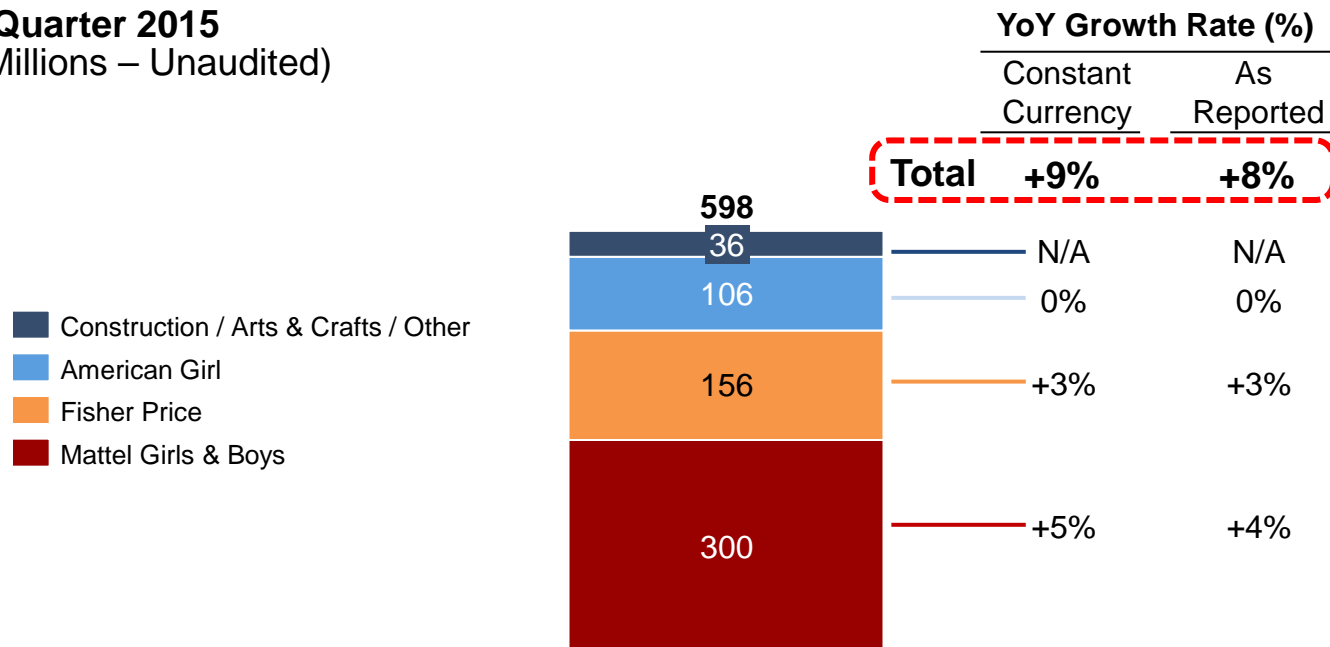
- Integration of MEGA Brands substantially complete. Remaining distributor business being transitioned to Mattel subsidiaries.

\*See non-GAAP reconciliation in Appendix



# North American Region Gross Sales by Brand\*

**First Quarter 2015**  
(\$ in Millions – Unaudited)



## Constant Currency Narrative

As Reported

### Mattel Brands

- Strength in Minecraft and Disney Princess licenses, largely offset by declines in Monster High and softness in other licensed entertainment properties

### Fisher-Price

- Strength in Thomas & Friends and Baby Gear, partially offset by licensed entertainment in Fisher-Price Friends

### American Girl

- Solid results for Girl of the Year and newly refreshed “BeForever” historical line. New retail stores in Orlando and Charlotte and Indigo shop-in-shops in Canada exceeding expectations. Offset by softness in other product lines.

### Const./A&C/Other

- Integration of MEGA Brands substantially complete. Remaining distributor business being transitioned to Mattel subsidiaries.

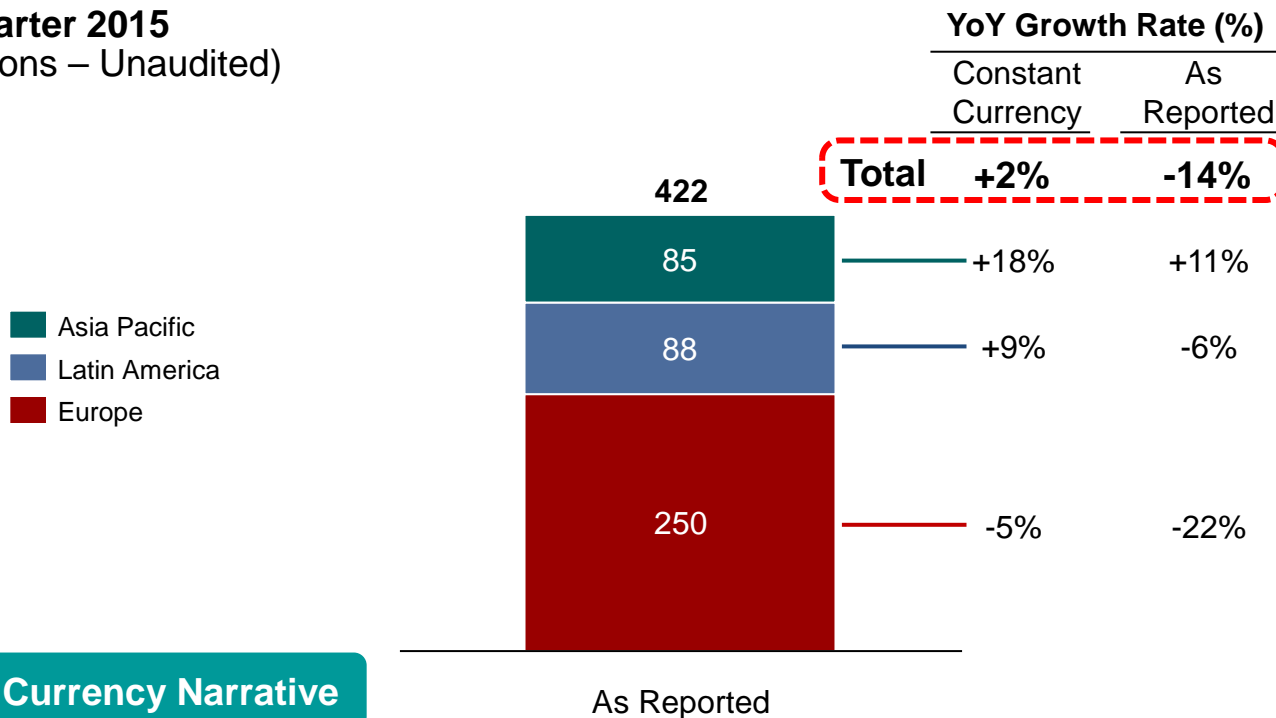
\*See non-GAAP reconciliation in Appendix.

Note: North American Region includes U.S., Canada, and American Girl (see Appendix)



# International Gross Sales by Region\*

**First Quarter 2015**  
(\$ in Millions – Unaudited)



## Constant Currency Narrative

### Europe

- Weakness in mature markets due to core brand softness and retail inventory overhang, partially offset by continued growth in Russia

### Latin America

- Growth in key markets; significant progress on inventories

### Asia Pacific

- Continued growth in China and a return to growth in Australia

\*See non-GAAP reconciliation in Appendix

Note: International Region includes International Division (see Appendix)



# Gross Margin

## First Quarter 2015

(As a Percentage of Net Sales – Unaudited)

### Prior Year:

Change Primarily Driven By:

Pricing

Funding Our Future

Input Costs

Product Mix (incl. MEGA)

Royalties

Other Product-Related

### Current Year:

Change:

Quarter

50.9%



48.8%

(210)bps

### Q1 2015 Drivers

- Negative impact of mix
  - Primarily related to MEGA Brands
- Higher royalty expense
- Increase in product-related costs essentially offset by pricing actions and savings from Funding Our Future

### Outlook

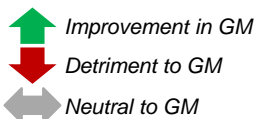
#### Headwinds

- Unfavorable foreign exchange
- Changes in mix
- Royalties
- Labor and input cost volatility

#### Tailwinds

- Funding Our Future cost savings
- Commodity trends

Targeting about 50% in the near term





# Adjusted SG&A\*

## First Quarter 2015

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

	Quarter	
	In Millions	% of Sales
<b>Prior Year Adjusted:</b>	<b>\$363.0</b>	<b>38.4%</b>
Change Primarily Driven By:		
MEGA Brands		
Strategic Investments		
Currency		
Employee-Related Costs		
Funding Our Future (ex. Severance)		
Incentive & Equity Comp		
Other		
<b>Current Year Adjusted:</b>	<b>\$362.6</b>	<b>39.3%</b>
<b>Change:</b>	<b>(\$0.4)</b>	<b>+90bps</b>
<b>Memo: Q1 2015 SG&amp;A (as reported)</b>	<b>\$402.5</b>	<b>43.6%</b>

Improvement in SG&A

Detriment to SG&A

Neutral to SG&A

\*See non-GAAP reconciliation in Appendix

\*\*Consists of acquisition and integration costs, including amortization of acquired intangible assets

### Q1 2015 Drivers

- Adjusted SG&A roughly flat
- Includes SG&A related to ongoing MEGA Brands operations, but excludes integration and amortization expense
- Funding Our Future savings helped fund strategic growth investments

### 2015 Outlook

- Targeting adjusted SG&A to be down in absolute dollars

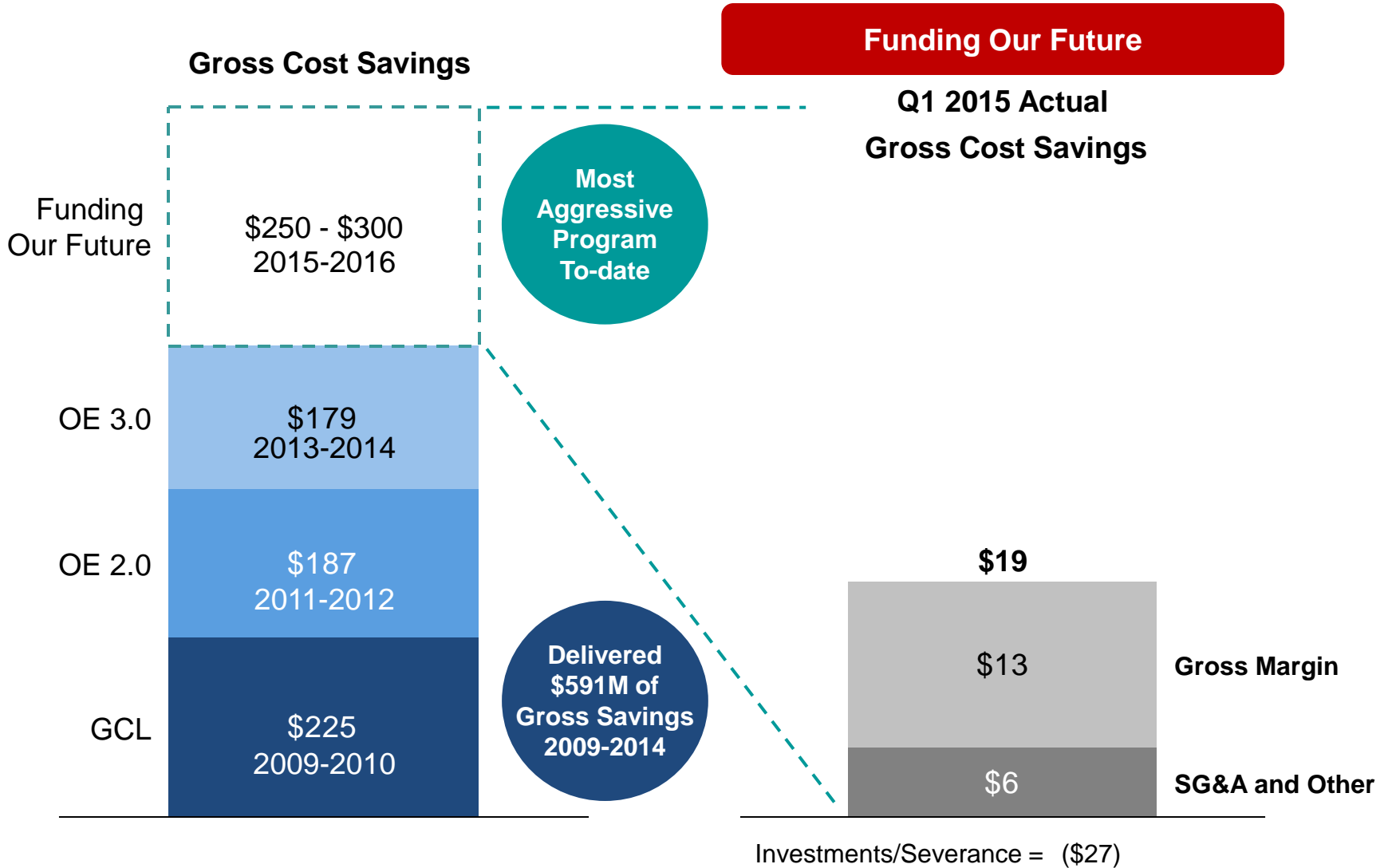
### 2014 Adjustments (\$ in Millions)

	Q1	Year
2014 as reported	\$385	\$1,614
○ Acquisition/integration**		(\$53)
○ Severance	(\$22)	(\$43)
<b>2014 adjusted</b>	<b>\$363</b>	<b>\$1,518</b>



# Cost Savings Program

(\$ in Millions – Unaudited)








# Adjusted Operating Income/(Loss)\*

## First Quarter 2015

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

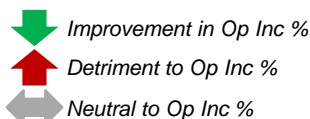
	Quarter	
	In Millions	% of Sales
<b>Prior Year Adjusted:</b>	<b>\$27.7</b>	<b>2.9%</b>
Change Primarily Driven By:		
Gross Margin		
Advertising & Promotion		
Adjusted SG&A		
<b>Current Year Adjusted:</b>	<b>(\$14.6)</b>	<b>(1.6)%</b>
<b>Change:</b>	<b>(\$42.3)</b>	<b>(450)bps</b>
<hr/>		
<b>Memo: Q1 2015 Operating Loss (as reported)</b>	<b>(\$54.5)</b>	
<hr/>		

### Q1 2015 Drivers

- Decrease driven by lower sales and gross margins
- Advertising higher reflecting investments to:
  - Support key core brands / drive top-line momentum throughout the year
  - Accelerate growth in China and Russia
- Adjusted SG&A flat versus prior year

### 2014 Adjustments (\$ in Millions)

	Q1	Year
<b>2014 as reported</b>	<b>\$6</b>	<b>\$654</b>
○ Acquisition/integration**	\$0	\$68
○ Severance	\$22	\$43
<b>2014 Adjusted</b>	<b>\$28</b>	<b>\$765</b>



\* See non-GAAP reconciliation in Appendix

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





# Adjusted EPS\*

**First Quarter 2015**  
(\$ Per Share – Unaudited)

## Prior Year Adjusted:

**Quarter**

**\$0.03**

Change Primarily Driven By:

Operating Income

Non-Operating Income / Expense

Taxes

Share Count



## Current Year Adjusted:

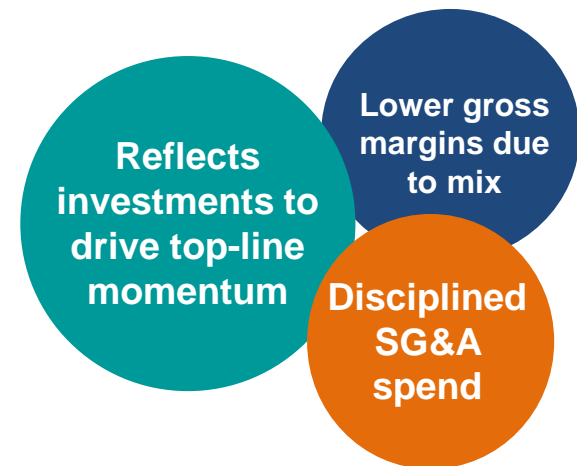
**(\$0.08)**

## Change:

**(\$0.11)**

***Memo: Q1 2015 EPS (as reported)***

***(\$0.17)***



**Q1 2015 Drivers**

Q1 2015 includes a \$0.03 unfavorable impact from foreign exchange

2014 Adjustments (\$ Per Share)		
	Q1	Year
<b>2014 as reported</b>	<b>(\$0.03)</b>	<b>\$1.45</b>
○ Acquisition/integration**	\$0.00	\$0.16
○ Severance	\$0.05	\$0.10
○ Discrete tax items	\$0.01	(\$0.13)
<b>2014 Adjusted</b>	<b>\$0.03</b>	<b>\$1.58</b>

Improvement in EPS

Detriment to EPS

Neutral to EPS

\*See non-GAAP reconciliation in Appendix

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

## First Quarter 2015

(\$ in Millions – Unaudited)

	2014	2015
Net Loss	(\$11)	(\$58)
Depreciation	\$48	\$57
Amortization	\$4	\$8
Change in Working Capital & Other	\$20	(\$60)
<b>Net Cash From / (Used for) Operations</b>	<b>\$61</b>	<b>(\$53)</b>
Capital Spending	(\$44)	(\$39)
Other Investing	\$14	(\$53)
<b>Net Cash (Used for) Investing</b>	<b>(\$30)</b>	<b>(\$92)</b>
Share Repurchases	(\$28)	-
Dividends	(\$129)	(\$129)
Financing Activities and Other	(\$16)	(\$15)
<b>Net Cash (Used for) Financing Activities &amp; Other</b>	<b>(\$173)</b>	<b>(\$144)</b>
<b>Change in Cash</b>	<b>(\$142)</b>	<b>(\$289)</b>
<b>Cash at Beginning of Period</b>	<b>\$1,039</b>	<b>\$972</b>
<b>Cash at End of Period</b>	<b>\$897</b>	<b>\$683</b>

### Cash Flow from Ops

Decrease primarily due to higher net loss and changes in deferred taxes

### Investing Activities

Primarily driven by foreign currency exchange contracts

### Financing Activities

No long-term debt activity

### Dividend/ Share Repurchase

- Paid quarterly dividend of \$0.38 (flat y/y)
- No share repurchases in current quarter

Note: Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.



# APPENDIX



# Reporting Guide

## Name

## Description

North American Region

Includes U.S., Canada 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 Brands

Includes American Girl, excludes Corolle / Thomas DTC

Core Europe

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



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### WORLDWIDE GROSS SALES INFORMATION (Unaudited)

### RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

<u>(In millions, except percentage information)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
<b><u>Worldwide Gross Sales by Brand:</u></b>		
Mattel Girls & Boys Brands	\$ 605.2	\$ 656.9
% Change	-8 %	-5 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-9</u>	<u>-1</u>
% Change in Constant Currency	<u>1 %</u>	<u>-4 %</u>
Fisher-Price Brands	264.0	271.4
% Change	-3 %	-6 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-6</u>	<u>-1</u>
% Change in Constant Currency	<u>3 %</u>	<u>-5 %</u>
American Girl Brands	106.1	105.9
% Change	0 %	5 %
Construction and Arts & Crafts Brands	38.3	-
Other	<u>6.6</u>	<u>7.0</u>
Gross Sales	<u>\$ 1,020.2</u>	<u>\$ 1,041.2</u>



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### WORLDWIDE GROSS SALES INFORMATION (Unaudited)

### RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

<u>(In millions, except percentage information)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
<b><u>Worldwide Gross Sales by Region:</u></b>		
North American <sup>1</sup>	\$ 598.1	\$ 552.0
% Change	8 %	-2 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-1</u>	<u>-1</u>
% Change in Constant Currency	<u>9 %</u>	<u>-1 %</u>
International	422.1	489.2
% Change	-14 %	-7 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-16</u>	<u>-1</u>
% Change in Constant Currency	<u>2 %</u>	<u>-6 %</u>
Gross Sales	<u>\$ 1,020.2</u>	<u>\$ 1,041.2</u>
% Change	-2 %	-4 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-8</u>	<u>-1</u>
% Change in Constant Currency	<u>6 %</u>	<u>-3 %</u>



# Reconciliation of Non-GAAP Financial Measures

**MATTEL, INC. AND SUBSIDIARIES**

**NORTH AMERICAN REGION GROSS SALES INFORMATION (Unaudited)**

<u>(In millions, except percentage information)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
<b><u>North American Region Gross Sales by Brand:</u></b>		
Mattel Girls & Boys Brands	\$ 300.0	\$ 287.5
% Change	4 %	-3 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-1</u>	<u>-1</u>
% Change in Constant Currency	<u>5 %</u>	<u>-2 %</u>
Fisher-Price Brands	155.7	151.6
% Change	3 %	-5 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>0</u>	<u>-1</u>
% Change in Constant Currency	<u>3 %</u>	<u>-4 %</u>
American Girl Brands	106.1	105.9
% Change	0 %	5 %
Construction and Arts & Crafts Brands	30.1	-
Other	<u>6.2</u>	<u>7.0</u>
<b>North American Region Gross Sales by Brand</b>	<b>\$ <u>598.1</u></b>	<b>\$ <u>552.0</u></b>
% Change	8 %	-2 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-1</u>	<u>-1</u>
% Change in Constant Currency	<u>9 %</u>	<u>-1 %</u>
Gross Sales	\$ 598.1	\$ 552.0
Sales Adjustments	<u>(39.2)</u>	<u>(29.0)</u>
Net Sales	<b>\$ <u>558.9</u></b>	<b>\$ <u>523.0</u></b>
% Change	7 %	-2 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>0</u>	<u>0</u>
% Change in Constant Currency	<u>7 %</u>	<u>-2 %</u>



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### INTERNATIONAL GROSS SALES BY REGION INFORMATION (Unaudited)

<u>(In millions, except percentage information)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
<b>International Region Gross Sales:</b>		
Europe	\$ 249.5	\$ 319.2
% Change	-22 %	-1 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-17</u>	<u>0</u>
% Change in Constant Currency	<u>-5 %</u>	<u>-1 %</u>
Latin America	87.5	93.3
% Change	-6 %	-21 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-15</u>	<u>-7</u>
% Change in Constant Currency	<u>9 %</u>	<u>-14 %</u>
Asia Pacific	85.1	76.7
% Change	11 %	-13 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-7</u>	<u>-3</u>
% Change in Constant Currency	<u>18 %</u>	<u>-10 %</u>
<b>International Region Gross Sales</b>	<b>\$ <u>422.1</u></b>	<b>\$ <u>489.2</u></b>
% Change	-14 %	-7 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-16</u>	<u>-1</u>
% Change in Constant Currency	<u>2 %</u>	<u>-6 %</u>
Gross Sales	\$ 422.1	\$ 489.2
Sales Adjustments	<u>(58.2)</u>	<u>(66.0)</u>
Net Sales	<b>\$ <u>363.9</u></b>	<b>\$ <u>423.2</u></b>
% Change	-14 %	-8 %
Pos./ (Neg.) Impact of Currency (in % pts)	<u>-15</u>	<u>-2</u>
% Change in Constant Currency	<u>1 %</u>	<u>-6 %</u>





# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL OPERATING (LOSS) INCOME AND EARNINGS PER SHARE INFORMATION (Unaudited) RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

<u>(In millions, except per share information)</u>	<u>For the Three Months Ended March 31,</u>		<u>For the Year Ended</u>
	<u>2015</u>	<u>2014</u>	<u>2014</u>
<b><u>Other Selling and Administrative Expenses</u></b>			
Other Selling and Administrative Expenses, As Reported	402.5	384.5	1,614.1
<i>% of Net Sales</i>	43.6%	40.6%	26.8%
<i>Adjustments:</i>			
MEGA Brands Integration & Acquisition Costs	(7.7)	-	(28.2)
MEGA Brands Intangible Asset Amortization Expense	(4.2)	-	(25.4)
Severance Expense	(28.0)	(21.5)	(42.9)
Other Selling and Administrative Expenses, As Adjusted	<u>362.6</u>	<u>363.0</u>	<u>1,517.6</u>
<i>% of Net Sales</i>	39.3%	38.4%	25.2%
<b><u>Operating (Loss) Income</u></b>			
Operating (Loss) Income, As Reported	\$ (54.5)	\$ 6.2	\$ 653.7
<i>Adjustments:</i>			
MEGA Brands Inventory Fair Value Markup Above Cost	-	-	15.0
MEGA Brands Integration & Acquisition Costs	7.7	-	28.2
MEGA Brands Intangible Asset Amortization Expense	4.2	-	25.4
Severance Expense	28.0	21.5	42.9
Operating (Loss) Income, As Adjusted	<u>\$ (14.6)</u>	<u>\$ 27.7</u>	<u>\$ 765.2</u>
<b><u>Earnings Per Share</u></b>			
Net Loss Per Common Share, As Reported	\$ (0.17)	\$ (0.03)	\$ 1.45
<i>Adjustments:</i>			
MEGA Brands Inventory Fair Value Above Cost	-	-	0.04
MEGA Brands Integration & Acquisition Costs	0.02	-	0.06
MEGA Brands Intangible Asset Amortization Expense	0.01	-	0.06
Severance Expense	0.06	0.05	0.10
Discrete Tax Items	-	0.01	(0.13)
Net (Loss) Income Per Common Share, As Adjusted	<u>\$ (0.08)</u>	<u>\$ 0.03</u>	<u>\$ 1.58</u>



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL OPERATING INCOME (LOSS) AND EARNINGS PER SHARE INFORMATION (Unaudited) RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

<u>(In millions, except per share information)</u>	<u>2 0 1 4</u>			
	<u>1 Qtr</u>	<u>2 Qtr</u>	<u>3 Qtr</u>	<u>4 Qtr</u>
<b><u>Other Selling and Administrative Expenses</u></b>				
Other Selling and Administrative Expenses, As Reported	\$ 384.5	391.7	392.9	445.0
<i>% of Net Sales</i>	<i>40.6%</i>	<i>36.9%</i>	<i>19.4%</i>	<i>22.3%</i>
<i>Adjustments:</i>				
MEGA Brands Integration & Acquisition Costs	-	(11.2)	(4.6)	(12.4)
MEGA Brands Intangible Asset Amortization Expense	-	(5.0)	(9.6)	(10.8)
Severance Expense	(21.5)	(12.5)	(4.1)	(4.9)
Other Selling and Administrative Expenses, As Adjusted	<u>\$ 363.0</u>	<u>363.0</u>	<u>374.6</u>	<u>416.9</u>
<i>% of Net Sales</i>	<i>38.4%</i>	<i>34.2%</i>	<i>18.5%</i>	<i>20.9%</i>
<b><u>Operating Income (Loss)</u></b>				
Operating Income (Loss), As Reported	\$ 6.2	\$ 1.0	\$ 409.5	\$ 237.0
<i>Adjustments:</i>				
MEGA Brands Inventory Fair Value Markup Above Cost	-	8.3	6.7	-
MEGA Brands Integration & Acquisition Costs	-	11.2	4.6	12.4
MEGA Brands Intangible Asset Amortization Expense	-	5.0	9.6	10.8
Severance Expense	21.5	12.5	4.1	4.9
Operating Income (Loss), As Adjusted	<u>\$ 27.7</u>	<u>\$ 38.0</u>	<u>\$ 434.5</u>	<u>\$ 265.1</u>
<b><u>Earnings Per Share</u></b>				
Net (Loss) Income Per Common Share, As Reported	\$ (0.03)	\$ 0.08	\$ 0.97	\$ 0.44
<i>Adjustments:</i>				
MEGA Brands Inventory Fair Value Above Cost	-	0.02	0.01	-
MEGA Brands Integration & Acquisition Costs	-	0.03	0.01	0.02
MEGA Brands Intangible Asset Amortization Expense	-	0.01	0.02	0.02
Severance Expense	0.05	0.03	0.01	0.01
Discrete Tax Items	0.01	(0.12)	(0.04)	0.03
Net Income (Loss) Per Common Share, As Adjusted	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.98</u>	<u>\$ 0.52</u>



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