



Mattel Inc.
Earnings Conference Call
Third Quarter 2011
(Unaudited Results)

October 14, 2011

Robert Eckert – Chief Executive Officer
Bryan Stockton – Chief Operating Officer
Kevin Farr – Chief Financial Officer

FORWARD-LOOKING STATEMENT: Certain statements made by Mattel’s executives during today’s presentations may include 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 2010 annual report on Form 10-K, in our 2011 quarterly reports on Form 10-Q and in other filings we make with the SEC from time to time, as well as on 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 & Media” section of <http://corporate.mattel.com/>, under the subheading “Financial Information” – “Earnings Releases.”

Key Takeaways

Third Quarter 2011

✓ Delivered solid financial results

Worldwide gross revenues up (+9%)

Domestic (+6%) and International (+13%) gross revenues up

Lower Gross Margin largely due to foreign exchange

Continued Operational Excellence 2.0 program (\$34mm Q3 gross savings)

SG&A expenses down primarily due to lower incentive and legal expenses

✓ Performed well in the marketplace

Strong performance across diverse brand portfolio

Every major region grew – US, Canada, Europe, Asia and Latin America

✓ Generated and deployed significant cash flow

Paid third quarter dividend of \$0.23 per share on September 23, 2011
(\$0.92 annualized dividend +11%)

Repurchased 6.6mm shares at total cost of \$173mm

Board authorized additional \$500mm for stock repurchasing program

Board announced fourth quarter dividend of \$0.23 per share

Global Strategic Priorities 2011 and Beyond

- ✓ **Deliver consistent growth**
 - Continue momentum in core brands
 - Continue expansion of International footprint
 - Optimize entertainment partnerships
 - Build new franchises
- ✓ **Build on operating margin progress**
 - Sustain Gross Margin of ~50%
 - Deliver cost savings targets
- ✓ **Generate significant cash flow**
 - Continue disciplined, opportunistic, value enhancing deployment

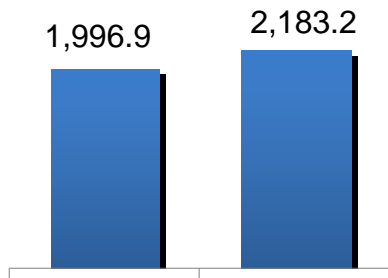


Worldwide Gross Sales

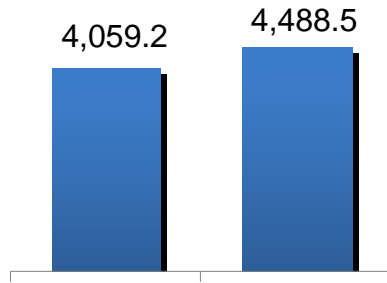
Third Quarter 2011

(\$ In Millions - Unaudited)

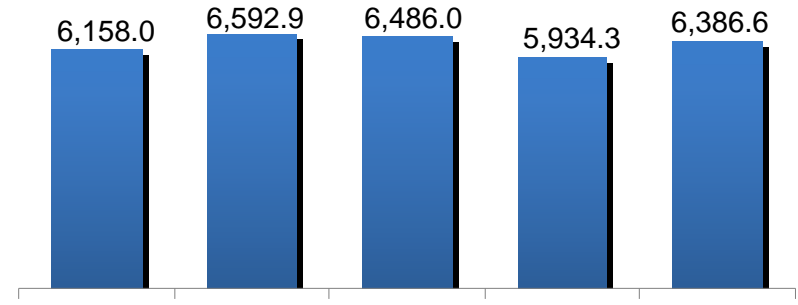
Quarter +9.3%



Year-to-Date +10.6%



Historical Trend Full Year



Currency Impact (ppt)

Year	Currency Impact (ppt)
2010	(3) ppt
2011	+2 ppt

Year	Currency Impact (ppt)
2010	(2) ppt
2011	+3 ppt

Year	Currency Impact (ppt)
2006	+1 ppt
2007	+3 ppt
2008	0 ppt
2009	(2) ppt
2010	(2) ppt

- Core brand momentum continues with growth in Mattel Brands, Fisher-Price and American Girl.
- Meeting high expectations with CARS 2 and seeing continued strength in evergreen entertainment including Disney Princess, Thomas & Friends, WWE, Toy Story 3 and Dora.
- The Monster High franchise continues to expand globally.
- Gained share in US market and Euro 5.*
- Retail inventory in-line and consistent with POS momentum.

* Source: NPD Group / Consumer Tracking Service (Jan – Aug)



Worldwide Gross Sales by Business

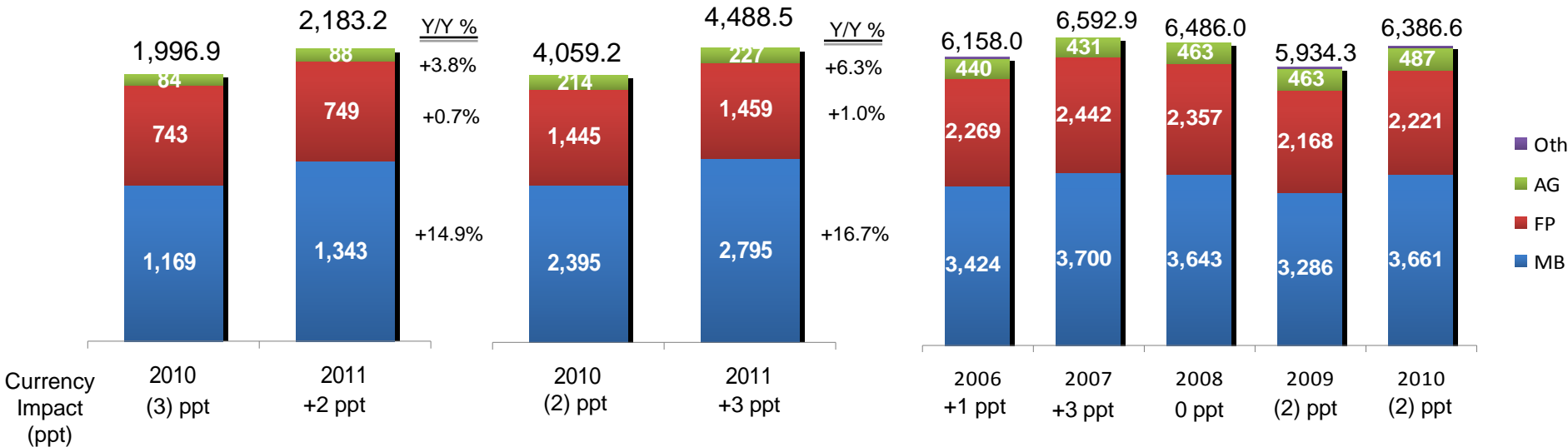
Third Quarter 2011

(\$ In Millions - Unaudited)

Quarter +9.3%

Year-to-Date +10.6%

Historical Trend Full Year



Mattel Brands: • Growth driven primarily by CARS 2, Monster High, Barbie, Radica, Hot Wheels and Disney Princess.

Fisher Price: • Growth in Core business including Infant, Boys, Newborn, and Power Wheels, partially offset by loss of the Sesame Street license.

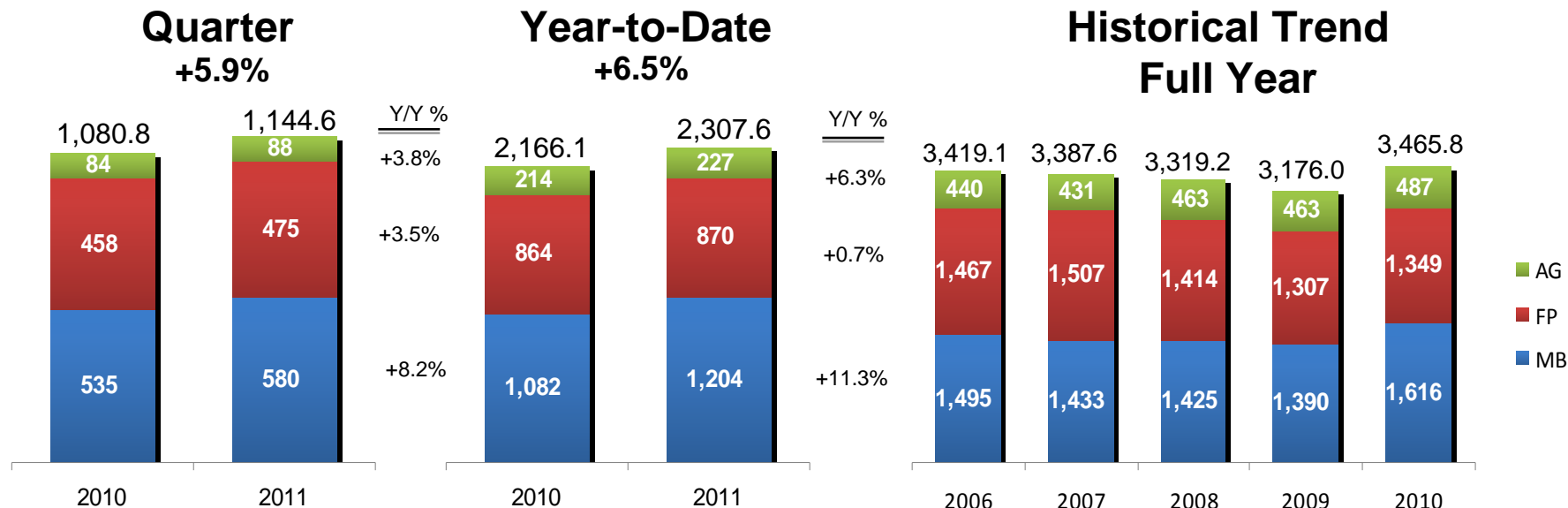
American Girl: • Solid performance in retail channel with two new store openings.



Domestic Gross Sales by Business

Third Quarter 2011

(\$ In Millions - Unaudited)



Mattel Brands: • Growth driven primarily by Monster High, Barbie, CARS 2, Radica, Disney Princess and DC properties. Hot Wheels down slightly against CARS 2 launch.

Fisher Price: • Growth in Core business and Power Wheels offset by the loss of the Sesame Street license.

American Girl: • Solid performance in retail channel with two new store openings.

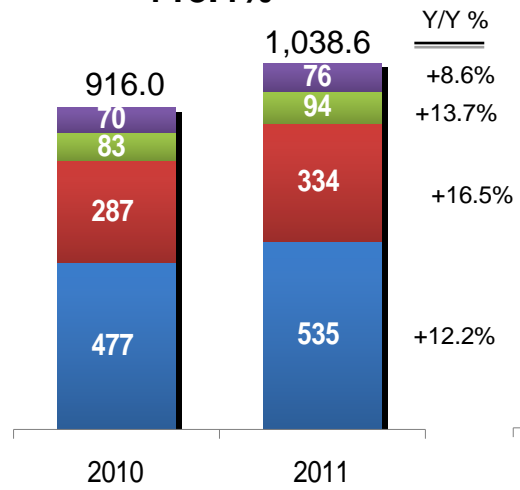


International Gross Sales by Region

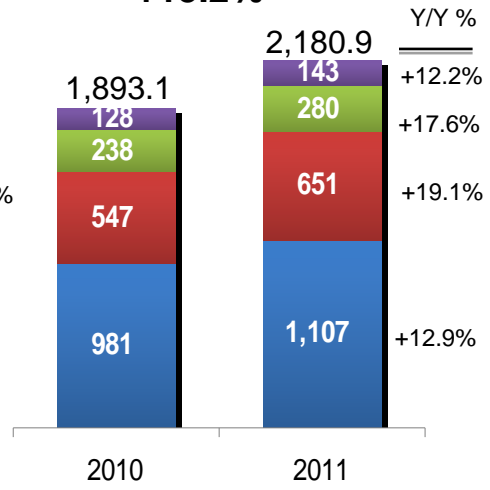
Third Quarter 2011

(\$ In Millions - Unaudited)

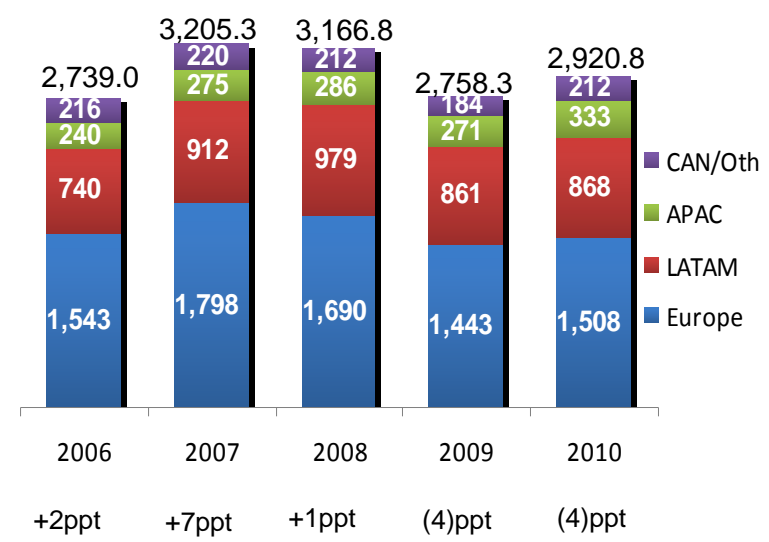
Quarter
+13.4%



Year-to-Date
+15.2%



Historical Trend
Full Year



Currency Impact (ppt)

2010 (7) ppt

2011 +5 ppt

2010 (3) ppt

2011 +6 ppt

2006 +2ppt

2007 +7ppt

2008 +1ppt

2009 (4)ppt

2010 (4)ppt

Europe: • Growth in every major region.

Latin America: • Strong growth in Brazil and Mexico.

Asia Pacific: • Growth across the region including emerging markets (China and India).



Gross Margin

Third Quarter 2011

(As a Percent of Net Sales - Unaudited)

Prior Year:

Quarter
51.1 %

Year-to-Date
49.8 %

Change primarily driven by:

Input Costs



Pricing



Currency



Operational Excellence 2.0



Royalty



Other Product Related



Current Year:

47.8 %

48.3 %

Change:

(330) bpt

(150) bpt



Currency Driving Decline

- Rapid appreciation of USD in Sept
- All major currencies affected
- 180bpt Q3 negative impact in COGS

Sustained Gross Margins

- Excluding Fx impact, margin consistent with expectations
- Higher input costs/royalty partially offset by pricing

=Improvement in GM% =Detriment to GM%
 =Neutral to GM%

SG&A

Third Quarter 2011

(\$ In Millions and as a Percent of Net Sales - Unaudited)

	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
Prior Year:	\$ 377.3	20.6 %	\$ 988.1	26.5 %

Change primarily driven by:

Currency

O.E. 2.0 Structural

O.E. 2.0 Legal Savings

Employee Related Costs

Severance

Incentive/Equity Comp

Other



Delivered good leverage to SG&A from our sales gains

Delivered \$27 million in SG&A gross savings from OE 2.0 and benefitted from reduced incentive accruals

Current Year:	\$ 338.6	16.9 %	\$ 1,004.0	24.4 %
Change:	\$ (38.7)	(370) bpt	\$ 15.9	(210) bpt

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



Operational Excellence 2.0

Third Quarter 2011

(\$ In Millions – Unaudited)

	Global Cost Leadership		Operational Excellence 2.0					2012 FCST	O.E. 2.0 Total
	2009-2010	% of	2011						
	Total	Gross	Q1 Act	Q2 Act	Q3 Act	YTD Act	FY Target		
Structural Savings									
SG&A	108	48%	3	7	9	19	23		
Gross Margin	89	40%	1	2	7	10	11		
Advertising	28	12%	1	-	1	2	6		
Gross Savings	<u>225</u>	<u>100%</u>	<u>5</u>	<u>9</u>	<u>16</u>	<u>30</u>	<u>40</u>	<u>35</u>	<u>75</u>
Severance/Investment	13		3	10	4	17	20		
Net Savings	<u>212</u>		<u>2</u>	<u>(1)</u>	<u>12</u>	<u>13</u>	<u>20</u>		
Legal Savings									
SG&A			-	-	18	18	tbd	tbd	<u>75</u>
Total Savings O.E. 2.0									
Gross Savings			5	9	34	48			150
Investments			3	10	4	17			
Net Savings			<u>2</u>	<u>(1)</u>	<u>30</u>	<u>31</u>			

Run Rate

- Global Cost Leadership program savings exceeded expectations.
- O. E. 2.0 includes new 2-year cumulative savings targets – total \$150 million.
- O.E. 2.0. performance exceeding expectations to date primarily due to timing of legal savings
 - Q3 gross savings of \$34 million YTD gross savings of \$48 million
- O.E. 2.0 initiatives include:
 - Reduction in legal expenses
 - Global Brand Teams/North America Division re-organization
 - Continuation of global procurement initiatives
 - Packaging optimization



Operating Income

Third Quarter 2011

(\$ In Millions – Unaudited)

Higher sales and leveraged SG&A spend improving OP

Prior Year:

Change primarily driven by:

Sales Volume

Gross Margin

Advertising & Promotion

SG&A

Currency

Current Year:

Change:

	Quarter		Year-to-Date	
	<u>In Millions</u>	<u>% of Sales</u>	<u>In Millions</u>	<u>% of Sales</u>
Prior Year:	\$ 358.6	19.6 %	\$ 473.3	12.7 %
Change primarily driven by:				
Sales Volume				
Gross Margin				
Advertising & Promotion				
SG&A				
Currency				
Current Year:	\$ 397.6	19.9 %	\$ 543.6	13.2 %
Change:	\$ 39.0	30 bpt	\$ 70.3	50 bpt

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

EPS

Third Quarter 2011

(\$ Per Share - Unaudited)

	<u>Quarter</u>	<u>Year-to-Date</u>
Prior Year:	\$ 0.77	\$ 0.97
Change primarily driven by:		
Operating Profit	↑	↑
Interest / Non-operating	↔	↓
Tax Rate/2010 Discrete Item	↓	↓
Share Count	↑	↑
Current Year:	\$ 0.86	\$ 1.12
Change:	\$ 0.09 +12% ↑	\$ 0.15 +15% ↑

Operating Profit
Higher sales, O.E. 2.0 savings, and lower incentive and equity compensation improved OP partially offset by foreign exchange

EPS
Higher operating profit and lower share count partially offset by higher taxes

 =Improvement in EPS
  =Detriment to EPS
 =Neutral to EPS

Cash Flow*

Nine Months Ending Sept 2011

(\$ In Millions - Unaudited)

	2009	2010	2011
Net Income	200	360	398
Depreciation	113	113	110
Amortization	14	12	11
Change in Working Capital & Other	(646)	(913)	(841)
Net Cash Used for Operations	(319)	(428)	(322)
Capital spending	(90)	(95)	(145)
Other investing	87	6	26
Net Cash From/(Used for) Investing	(3)	(89)	(119)
Share Repurchases	-	(153)	(407)
Dividends	-	-	(239)
Financing Activities and Other	28	514	60
Net Cash From/(Used for) Financing Activities & Other	28	361	(586)
Change in cash	(294)	(156)	(1,027)
Cash at the beginning of the period	618	1,117	1,281
Cash at the end of the period	324	961	255

Improved Cash Flow from Ops

Primarily due to decision not to factor domestic receivables last year (\$300mm) partially offset by increased working capital usage

Capital Deployment

Share Repurchases

- 16.3mm shares/Avg. price \$26.01
- Remaining authorization \$539mm

Dividend

- Annualized dividend to \$0.92 (+11%)
- Quarterly dividends of \$0.23

* Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2011.

Near Term Strategic Priorities

- ✓ Deliver consistent growth
 - Continue momentum in core brands
 - Continue expansion of International footprint
 - Optimize entertainment partnerships
 - Build new franchises
- ✓ Build on operating margin progress
 - Sustain Gross Margin
 - Deliver cost savings targets
- ✓ Generate significant cash flow
 - Continue disciplined, opportunistic, value enhancing deployment

Well Positioned for 2011 & Beyond

MATTEL

Appendix



Incremental MGA and Recall-Related Legal/Settlement Costs

Historical Trend of Yr/Yr Variance

(\$ In Millions - Unaudited)

Incremental MGA and Recall-Related Legal and Settlement Costs

	MGA/Recall Legal				Recall Related Settlement				Total Legal/Settlement			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Q1	18.3	(11.3)	5.7	10.7	-	20.9	(28.4)	7.5	18.3	9.6	(22.7)	18.2
Q2	25.1	(21.2)	8.3	(5.0)	-	(4.9)	3.7	1.2	25.1	(26.1)	12.0	(3.8)
Q3	0.5	(4.2)	11.0	(17.7)	-	5.4	(10.2)	4.8	0.5	1.2	0.8	(12.9)
Q4	(7.2)	3.4	15.0		15.4	(15.4)	-		8.2	(12.0)	15.0	
Full Year	36.8	(33.3)	39.9		15.4	6.0	(34.9)		52.2	(27.3)	5.0	

1st Trial
Started - May 2008
Ended - July 2008

2nd Trial
Started - January 2011
Ended - April 2011

MATTEL

Accelerate!