

# MATTEL INC /DE/

## FORM 10-Q (Quarterly Report)

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Address	333 CONTINENTAL BLVD EL SEGUNDO, CA 90245
Telephone	3102522000
CIK	0000063276
Symbol	MAT
SIC Code	3942 - Dolls and Stuffed Toys
Industry	Recreational Products
Sector	Consumer Cyclical
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-05647

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**MATTEL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**95-1567322**

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

**333 Continental Blvd.  
El Segundo, CA 90245-5012**  
(Address of principal executive offices)

**(310) 252-2000**  
(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

NONE

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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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding of registrant's common stock, \$1.00 par value, as of July 14, 2011:

342,890,365 shares

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

MATTEL, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
	(Unaudited; in thousands, except share data)		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 418,476	\$ 544,869	\$ 1,281,123
Accounts receivable, net	1,012,000	805,076	1,146,106
Inventories	783,533	597,614	463,838
Prepaid expenses and other current assets	317,093	330,444	335,543
Total current assets	<u>2,531,102</u>	<u>2,278,003</u>	<u>3,226,610</u>
<b>Noncurrent Assets</b>			
Property, plant, and equipment, net	513,792	486,026	484,705
Goodwill	828,525	817,618	824,007
Other noncurrent assets	924,279	894,078	882,411
<b>Total Assets</b>	<u>\$ 4,797,698</u>	<u>\$ 4,475,725</u>	<u>\$ 5,417,733</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 10,000	\$ 250,000	\$ 250,000
Accounts payable	371,862	340,772	406,270
Accrued liabilities	499,190	421,877	642,211
Income taxes payable	17,513	15,088	51,801
Total current liabilities	<u>898,565</u>	<u>1,027,737</u>	<u>1,350,282</u>
<b>Noncurrent Liabilities</b>			
Long-term debt	950,000	460,000	950,000
Other noncurrent liabilities	482,248	481,013	488,867
Total noncurrent liabilities	<u>1,432,248</u>	<u>941,013</u>	<u>1,438,867</u>
<b>Stockholders' Equity</b>			
Common stock \$1.00 par value, 1.0 billion shares authorized; 441.4 million shares issued	441,369	441,369	441,369
Additional paid-in capital	1,686,716	1,694,233	1,706,461
Treasury stock at cost; 97.1 million shares, 81.3 million shares, and 92.3 million shares, respectively	(2,028,757)	(1,596,532)	(1,880,692)
Retained earnings	2,655,469	2,416,084	2,720,645
Accumulated other comprehensive loss	(287,912)	(448,179)	(359,199)
Total stockholders' equity	<u>2,466,885</u>	<u>2,506,975</u>	<u>2,628,584</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 4,797,698</u>	<u>\$ 4,475,725</u>	<u>\$ 5,417,733</u>

The accompanying notes are an integral part of these financial statements.

**MATTEL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	(Unaudited; in thousands, except per share amounts)			
<b>Net Sales</b>	\$1,161,667	\$1,018,503	\$2,113,523	\$1,898,585
Cost of sales	605,426	528,887	1,084,135	977,117
<b>Gross Profit</b>	556,241	489,616	1,029,388	921,468
Advertising and promotion expenses	116,167	101,850	218,016	196,019
Other selling and administrative expenses	330,807	318,330	665,347	610,786
<b>Operating Income</b>	109,267	69,436	146,025	114,663
Interest expense	17,642	13,444	36,458	27,067
Interest (income)	(2,451)	(2,782)	(5,614)	(5,234)
Other non-operating (income), net	(812)	(3,303)	(968)	(2,529)
<b>Income Before Income Taxes</b>	94,888	62,077	116,149	95,359
Provision for income taxes	14,359	10,502	19,013	18,942
<b>Net Income</b>	<u>\$ 80,529</u>	<u>\$ 51,575</u>	<u>\$ 97,136</u>	<u>\$ 76,417</u>
<b>Net Income Per Common Share—Basic</b>	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.21</u>
Weighted average number of common shares	347,133	362,819	348,094	363,065
<b>Net Income Per Common Share—Diluted</b>	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.21</u>
Weighted average number of common and potential common shares	350,944	365,851	351,744	366,144
<b>Dividends Declared Per Common Share</b>	<u>\$ 0.23</u>	<u>\$ —</u>	<u>\$ 0.46</u>	<u>\$ —</u>

*The accompanying notes are an integral part of these financial statements.*

**MATTEL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended	
	June 30, 2011	June 30, 2010
(Unaudited; in thousands)		
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 97,136	\$ 76,417
Adjustments to reconcile net income to net cash flows used for operating activities:		
Depreciation	71,918	74,747
Amortization	7,337	7,783
Deferred income taxes	(38,752)	(9,326)
Share-based compensation	19,870	25,410
Increase (decrease) from changes in assets and liabilities:		
Accounts receivable	158,941	(86,602)
Inventories	(298,794)	(266,763)
Prepaid expenses and other current assets	29,118	22,154
Accounts payable, accrued liabilities, and income taxes payable	(206,022)	(255,933)
Other, net	(67,530)	40,031
Net cash flows used for operating activities	<u>(226,778)</u>	<u>(372,082)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of tools, dies, and molds	(54,830)	(39,612)
Purchases of other property, plant, and equipment	(47,588)	(17,932)
Proceeds from sale of other property, plant, and equipment	489	645
Proceeds from (payments for) foreign currency forward exchange contracts	57,576	(40,411)
Net cash flows used for investing activities	<u>(44,353)</u>	<u>(97,310)</u>
<b>Cash Flows From Financing Activities:</b>		
Payments of short-term borrowings	—	(1,950)
Payment of credit facility renewal costs	(6,917)	—
Payment of long-term borrowings	(240,000)	(40,000)
Share repurchases	(251,865)	(111,199)
Payment of dividends on common stock	(159,906)	—
Proceeds from exercise of stock options	67,400	44,291
Other, net	(9,465)	9,712
Net cash flows used for financing activities	<u>(600,753)</u>	<u>(99,146)</u>
<b>Effect of Currency Exchange Rate Changes on Cash</b>	<u>9,237</u>	<u>(3,590)</u>
<b>Decrease in Cash and Equivalents</b>	<u>(862,647)</u>	<u>(572,128)</u>
<b>Cash and Equivalents at Beginning of Period</b>	<u>1,281,123</u>	<u>1,116,997</u>
<b>Cash and Equivalents at End of Period</b>	<u>\$ 418,476</u>	<u>\$ 544,869</u>

*The accompanying notes are an integral part of these financial statements.*

**MATTEL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments, consisting of only those of a normal recurring nature, considered necessary for a fair presentation of the financial position and interim results of Mattel, Inc. and its subsidiaries (“Mattel” or the “Company”) as of and for the periods presented, have been included. Because Mattel’s business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year.

The year-end balance sheet data was derived from audited financial statements, however, the accompanying interim notes to the consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The financial information included herein should be read in conjunction with Mattel’s consolidated financial statements and related notes in its 2010 Annual Report on Form 10-K.

**2. Accounts Receivable**

Accounts receivable are net of allowances for doubtful accounts of \$20.5 million, \$19.7 million, and \$21.8 million as of June 30, 2011, June 30, 2010, and December 31, 2010, respectively.

**3. Inventories**

Inventories include the following:

	June 30, 2011	June 30, 2010 (In thousands)	December 31, 2010
Raw materials and work in process	\$ 121,760	\$ 95,761	\$ 68,095
Finished goods	661,773	501,853	395,743
	<u>\$ 783,533</u>	<u>\$ 597,614</u>	<u>\$ 463,838</u>

**4. Property, Plant, and Equipment**

Property, plant, and equipment, net includes the following:

	June 30, 2011	June 30, 2010 (In thousands)	December 31, 2010
Land	\$ 26,767	\$ 26,706	\$ 26,796
Buildings	259,877	244,544	249,542
Machinery and equipment	836,527	780,367	809,723
Tools, dies, and molds	618,579	590,089	589,156
Capital leases	23,271	23,271	23,271
Leasehold improvements	192,820	180,503	177,141
	<u>1,957,841</u>	<u>1,845,480</u>	<u>1,875,629</u>
Less: accumulated depreciation	<u>(1,444,049)</u>	<u>(1,359,454)</u>	<u>(1,390,924)</u>
	<u>\$ 513,792</u>	<u>\$ 486,026</u>	<u>\$ 484,705</u>

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### 5. Goodwill

Goodwill is allocated to various reporting units, which are either at the operating segment level or one reporting level below the operating segment level, for purposes of evaluating whether goodwill is impaired. Mattel's reporting units are: Mattel Girls Brands US, Mattel Boys Brands US, Fisher-Price Brands US, American Girl Brands, and International. Mattel tests its goodwill for impairment annually in the third quarter, and whenever events or changes in circumstances indicate that the carrying value may exceed its fair value.

The change in the carrying amount of goodwill by reporting unit for the six months ended June 30, 2011 is shown below. Brand-specific goodwill held by foreign subsidiaries is allocated to the US reporting units selling those brands, thereby causing foreign currency translation impact for the US reporting units.

	December 31, 2010	Impact of Currency	
		Exchange Rate Changes (In thousands)	June 30, 2011
Mattel Girls Brands US	\$ 31,071	\$ 799	\$ 31,870
Mattel Boys Brands US	130,658	63	130,721
Fisher-Price Brands US	215,879	157	216,036
American Girl Brands	207,571	—	207,571
International	238,828	3,499	242,327
	<u>\$ 824,007</u>	<u>\$ 4,518</u>	<u>\$ 828,525</u>

### 6. Other Noncurrent Assets

Other noncurrent assets include the following:

	June 30, 2011	June 30, 2010	December 31, 2010
		(In thousands)	
Deferred income taxes	\$ 512,566	\$ 490,597	\$ 477,320
Nonamortizable identifiable intangibles	122,223	122,223	122,223
Identifiable intangibles (net of amortization of \$51.2 million, \$74.6 million, and \$64.2 million, respectively)	86,811	88,446	91,359
Other	202,679	192,812	191,509
	<u>\$ 924,279</u>	<u>\$ 894,078</u>	<u>\$ 882,411</u>

### 7. Accrued Liabilities

Accrued liabilities include the following:

	June 30, 2011	June 30, 2010	December 31, 2010
		(In thousands)	
Royalties	\$ 71,160	\$ 59,359	\$ 95,785
Advertising and promotion	38,463	31,162	59,586
Derivatives payable	30,770	13,020	11,082
Taxes other than income taxes	28,409	37,454	68,686
Other	330,388	280,882	407,072
	<u>\$ 499,190</u>	<u>\$ 421,877</u>	<u>\$ 642,211</u>

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### 8. Product Recalls

During 2007, Mattel recalled products with high-powered magnets that may become dislodged and other products, some of which were produced using non-approved paint containing lead in excess of applicable regulatory and Mattel standards. During the second half of 2007, additional products were recalled, withdrawn from retail stores, or replaced at the request of consumers as a result of safety or quality issues (collectively, the “2007 Product Recalls”).

Following the announcement of the 2007 Product Recalls, a number of lawsuits were filed against Mattel with respect to the recalled products, which are more fully described in Note 14 to the Consolidated Financial Statements in Mattel’s 2010 Annual Report on Form 10-K. During the three and six months ended June 30, 2010, Mattel reduced its estimate of these settlement costs, which had the effect of reducing other selling and administrative expenses by \$1.2 million and \$8.7 million, respectively, primarily based on actual experience under the settlement program. During the three and six months ended June 30, 2011, there were no changes to Mattel’s 2007 Product Recalls reserve estimates.

Although management is not aware of any additional quality or safety issues that are likely to result in material recalls or withdrawals, there can be no assurance that issues will not be identified in the future.

### 9. Seasonal Financing

Mattel maintains and periodically amends or replaces its domestic unsecured committed revolving credit facility with a commercial bank group that is used as a back-up facility to Mattel’s commercial paper program, which is used as the primary source of financing for the seasonal working capital requirements of its domestic subsidiaries. The revolving credit facility was amended and restated on March 8, 2011 to, among other things, (i) extend the maturity date of the credit facility to March 8, 2015, (ii) increase aggregate commitments under the credit facility to \$1.4 billion, with an “accordion feature,” which allows Mattel to increase the aggregate availability under the credit facility to \$1.6 billion under certain circumstances, (iii) decrease the applicable interest rate margins to a range of 0.25% to 1.50% above the applicable base rate for base rate loans, and 1.25% to 2.50% above the applicable London Interbank Borrowing Rate for Eurodollar rate loans, in each case depending on Mattel’s senior unsecured long-term debt rating, and (iv) decrease commitment fees to a range of 0.15% to 0.40% of the unused commitments under the credit facility.

The borrowing capacity of the amended facility is \$1.4 billion for four years, which exceeds the \$1.1 billion for one year remaining on the facility prior to the amendment. The proportion of unamortized debt issuance costs from the prior facility renewal related to creditors involved in both the prior facility and amended facility, and borrowing costs incurred as a result of the amendment were deferred and will be amortized over the term of the amended facility.

In connection with the execution of the amendment of the domestic unsecured revolving credit facility, Mattel terminated its \$300.0 million domestic receivables sales facility, which was a sub-facility of the domestic unsecured committed revolving credit facility.

Mattel is required to meet financial covenants at the end of each quarter and fiscal year, using the formulae specified in the credit facility agreement to calculate the ratios. Mattel was in compliance with such covenants at the end of the six months ended June 30, 2011.

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### 10. Long-term Debt

Long-term debt includes the following:

	June 30, 2011	June 30, 2010 (In thousands)	December 31, 2010
Medium-term notes due October 2011 to November 2013	\$ 110,000	\$ 160,000	\$ 150,000
2006 Senior Notes	—	200,000	200,000
2008 Senior Notes due March 2013	350,000	350,000	350,000
2010 Senior Notes due October 2020 and October 2040	500,000	—	500,000
	960,000	710,000	1,200,000
Less: current portion	(10,000)	(250,000)	(250,000)
Total long-term debt	<u>\$ 950,000</u>	<u>\$ 460,000</u>	<u>\$ 950,000</u>

In September 2010, Mattel issued \$250.0 million of unsecured 4.35% senior notes (“4.35% Senior Notes”) due October 1, 2020 and \$250.0 million of unsecured 6.20% senior notes (“6.20% Senior Notes”) due October 1, 2040 (collectively, “2010 Senior Notes”). Interest on the 2010 Senior Notes is payable semi-annually April 1 and October 1 of each year. Mattel may redeem all or part of the 2010 Senior Notes at any time or from time to time at its option at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date, and (ii) a “make-whole” amount based on the yield of a comparable US Treasury security plus 25 basis points in respect of the 4.35% Senior Notes and 40 basis points in respect of the 6.20% Senior Notes.

In June 2011, Mattel repaid the remaining \$200.0 million of its 2006 Senior Notes in connection with its scheduled maturities. In June 2011 and October 2010, Mattel repaid \$40.0 million and \$10.0 million, respectively, of its Medium-term notes in connection with their scheduled maturities.

### 11. Other Noncurrent Liabilities

Other noncurrent liabilities include the following:

	June 30, 2011	June 30, 2010 (In thousands)	December 31, 2010
Benefit plan liabilities	\$ 224,346	\$ 248,262	\$ 257,195
Noncurrent tax liabilities	113,351	108,237	113,526
Other	144,551	124,514	118,146
	<u>\$ 482,248</u>	<u>\$ 481,013</u>	<u>\$ 488,867</u>

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### 12. Comprehensive Income (Loss)

The components of comprehensive income (loss), net of tax, are as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
Net income	\$ 80,529	\$ 51,575	\$ 97,136	\$ 76,417
Currency translation adjustments	35,236	(77,566)	88,414	(106,642)
Defined benefit pension plans net prior service cost and net actuarial loss	2,533	2,244	5,066	4,585
Net unrealized (losses) gains on derivative instruments:				
Unrealized holding (losses) gains	(8,604)	15,999	(22,957)	27,738
Reclassification adjustment for realized losses included in net income	1,504	2,916	764	5,674
	<u>(7,100)</u>	<u>18,915</u>	<u>(22,193)</u>	<u>33,412</u>
	<u>\$ 111,198</u>	<u>\$ (4,832)</u>	<u>\$ 168,423</u>	<u>\$ 7,772</u>

The components of accumulated other comprehensive loss are as follows:

	June 30, 2011	June 30, 2010 (In thousands)	December 31, 2010
Currency translation adjustments	\$(133,344)	\$(329,283)	\$ (221,758)
Defined benefit pension and other postretirement plans, net of tax	(129,248)	(137,432)	(134,314)
Net unrealized (loss) gain on derivative instruments, net of tax	(25,320)	18,536	(3,127)
	<u>\$(287,912)</u>	<u>\$(448,179)</u>	<u>\$ (359,199)</u>

#### Currency Translation Adjustments

Mattel's reporting currency is the US dollar. The translation of its net investment in subsidiaries with non-US dollar functional currencies subjects Mattel to currency exchange rate fluctuations in its results of operations and financial position. Assets and liabilities of subsidiaries with non-US dollar functional currencies are translated into US dollars at fiscal period-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the fiscal period. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive loss within stockholders' equity. For the six months ended June 30, 2011, currency translation adjustments resulted in a net gain of \$88.4 million, with gains primarily from the strengthening of the Euro, Brazilian real, Mexican peso, and British pound sterling against the US dollar. For the six months ended June 30, 2010, currency translation adjustments resulted in a net loss of \$106.6 million, with losses primarily from the weakening of the Euro, British pound sterling, Brazilian real, and Chilean peso against the US dollar, partially offset from the strengthening of the Mexican peso against the US dollar.

### 13. Derivative Instruments

Mattel seeks to mitigate its exposure to foreign currency transaction risk by monitoring its foreign currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts. Mattel uses foreign currency forward exchange contracts as cash flow hedges primarily to hedge its purchases and sales of inventory denominated in foreign currencies. These contracts generally have maturity dates up to 18 months. These derivative instruments have been designated as effective cash flow hedges, whereby the unsettled hedges are reported in Mattel's consolidated balance sheets at fair value, with changes in

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the fair value of the hedges reflected in other comprehensive income (“OCI”). Realized gains and losses for these contracts are recorded in the consolidated statements of operations in the period in which the inventory is sold to customers. Additionally, Mattel uses foreign currency forward exchange contracts to hedge intercompany loans and advances denominated in foreign currencies. Due to the short-term nature of the contracts involved, Mattel does not use hedge accounting for these contracts, and as such, changes in fair value are recorded in the period of change in the consolidated statements of operations. As of June 30, 2011, June 30, 2010, and December 31, 2010, Mattel held foreign currency forward exchange contracts with notional amounts of approximately \$1.4 billion, \$1.1 billion, and \$1.1 billion, respectively.

The following table presents Mattel’s derivative assets and liabilities:

		Asset Derivatives		
		Fair Value		
Balance Sheet Classification		June 30, 2011	June 30, 2010	December 31, 2010
		(In thousands)		
<b>Derivatives designated as hedging instruments:</b>				
Foreign currency forward exchange contracts	Prepaid expenses and other			
	current assets	\$ 7,833	\$ 30,802	\$ 8,200
Foreign currency forward exchange contracts	Other noncurrent assets	1,101	911	579
<b>Total derivatives designated as hedging instruments</b>		<u>\$ 8,934</u>	<u>\$ 31,713</u>	<u>\$ 8,779</u>
<b>Derivatives not designated as hedging instruments:</b>				
Foreign currency forward exchange contracts	Prepaid expenses and other			
	current assets	\$ 6,529	\$ —	\$ 8,799
<b>Total</b>		<u>\$ 15,463</u>	<u>\$ 31,713</u>	<u>\$ 17,578</u>
		Liability Derivatives		
		Fair Value		
Balance Sheet Classification		June 30, 2011	June 30, 2010	December 31, 2010
		(In thousands)		
<b>Derivatives designated as hedging instruments:</b>				
Foreign currency forward exchange contracts	Accrued liabilities	\$ 30,770	\$ 5,132	\$ 11,082
Foreign currency forward exchange contracts	Other noncurrent liabilities	1,209	27	101
<b>Total derivatives designated as hedging instruments</b>		<u>\$ 31,979</u>	<u>\$ 5,159</u>	<u>\$ 11,183</u>
<b>Derivatives not designated as hedging instruments</b>				
Foreign currency forward exchange contracts	Accrued liabilities	\$ —	\$ 7,888	\$ —
<b>Total</b>		<u>\$ 31,979</u>	<u>\$ 13,047</u>	<u>\$ 11,183</u>

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The following tables present the classification and amount of gains and losses, net of tax, from derivatives reported in the consolidated statements of operations:

	For the Three Months Ended June 30, 2011		For the Three Months Ended June 30, 2010		Statements of Operations Classification
	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	
(In thousands)					
<b>Derivatives designated as hedging instruments</b>					
Foreign currency forward exchange contracts	\$ (8,604)	\$ (1,504)	\$ 15,999	\$ (2,916)	Cost of sales
	For the Six Months Ended June 30, 2011		For the Six Months Ended June 30, 2010		Statements of Operations Classification
	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from Accumulated OCI to Statements of Operations	
(In thousands)					
<b>Derivatives designated as hedging instruments</b>					
Foreign currency forward exchange contracts	\$ (22,957)	\$ (764)	\$ 27,738	\$ (5,674)	Cost of sales

The net loss of \$1.5 million and \$0.8 million reclassified from accumulated OCI to the statements of operations for the three and six months ended June 30, 2011, respectively, and the net loss of \$2.9 million and \$5.7 million reclassified from accumulated OCI to the statements of operations for the three and six months ended June 30, 2010, respectively, are offset by the changes in cash flows associated with the underlying hedged transactions.

	Amount of Gain (Loss) Recognized in the Statements of Operations		Statements of Operations Classification
	For the Three Months Ended	For the Three Months Ended	
	June 30, 2011	June 30, 2010	
(In thousands)			
<b>Derivatives not designated as hedging instruments</b>			
Foreign currency forward exchange contracts	\$ 23,388	\$ (40,072)	Non-operating income/expense
Foreign currency forward exchange contracts	1,036	316	Cost of sales
<b>Total</b>	<u>\$ 24,424</u>	<u>\$ (39,756)</u>	

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	Amount of Gain (Loss) Recognized in the Statements of Operations		Statements of Operations Classification
	For the Six Months Ended	For the Six Months Ended	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	
	(In thousands)		
<b>Derivatives not designated as hedging instruments</b>			
Foreign currency forward exchange contracts	\$ 52,570	\$ (52,469)	Non-operating income/expense
Foreign currency forward exchange contracts	2,736	1,948	Cost of sales
<b>Total</b>	<u>\$ 55,306</u>	<u>\$ (50,521)</u>	

The net gain of \$24.4 million and \$55.3 million recognized in the statements of operations for the three and six months ended June 30, 2011, respectively, and the net loss of \$39.8 million and \$50.5 million recognized in the statements of operations for the three and six months ended June 30, 2010, respectively, are offset by foreign currency transaction gains and losses on the related hedged balances.

### 14. Fair Value Measurements

The following table presents information about Mattel's assets and liabilities measured and reported in the financial statements at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 – Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 – Valuations based on inputs that are unobservable, supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Mattel's financial assets and liabilities include the following:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
<b>Assets:</b>				
Foreign currency forward exchange contracts (a)	\$ —	\$15,463	\$ —	\$15,463
Auction rate securities (b)	—	—	21,000	21,000
Total assets	<u>\$ —</u>	<u>\$15,463</u>	<u>\$21,000</u>	<u>\$36,463</u>
<b>Liabilities:</b>				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$31,979</u>	<u>\$ —</u>	<u>\$31,979</u>
	June 30, 2010			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
<b>Assets:</b>				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$31,713</u>	<u>\$ —</u>	<u>\$31,713</u>
<b>Liabilities:</b>				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$13,047</u>	<u>\$ —</u>	<u>\$13,047</u>

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	December 31, 2010			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
<b>Assets:</b>				
Foreign currency forward exchange contracts (a)	\$ —	\$17,578	\$ —	\$17,578
Auction rate securities (b)	—	—	21,000	21,000
Total assets	<u>\$ —</u>	<u>\$17,578</u>	<u>\$21,000</u>	<u>\$38,578</u>
<b>Liabilities:</b>				
Foreign currency forward exchange contracts (a)	<u>\$ —</u>	<u>\$11,183</u>	<u>\$ —</u>	<u>\$11,183</u>

- (a) The fair value of the foreign currency forward exchange contracts is based on dealer quotes of market forward rates and reflects the amount that Mattel would receive or pay at their maturity dates for contracts involving the same notional amounts, currencies, and maturity dates.
- (b) The fair value of the auction rate securities is estimated using a discounted cash flow model based on (i) estimated interest rates, timing, and amount of cash flows, (ii) credit spreads, recovery rates, and credit quality of the underlying securities, and (iii) illiquidity considerations.

During 2010, Mattel adopted Accounting Standard Update (“ASU”) 2010-11, *Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*, and elected the fair value option under this standard, which resulted in an \$8.7 million, net of tax, adjustment to beginning retained earnings relating to auction rate securities that contain embedded credit derivatives, that were previously reported at amortized cost.

The following table presents information about Mattel’s assets measured and reported at fair value on a recurring basis using significant Level 3 inputs:

	Level 3 (In thousands)
<b>Balance at December 31, 2010</b>	\$ 21,000
Unrealized change in fair value	—
<b>Balance at June 30, 2011</b>	<u>\$ 21,000</u>

### 15. Fair Value of Financial Instruments

Mattel’s financial instruments include cash and equivalents, accounts receivable and payable, and accrued liabilities. The carrying amount of these instruments approximates fair value because of their short-term nature.

The estimated fair value of Mattel’s long-term debt, including the current portion, was \$997.3 million (compared to a carrying amount of \$960.0 million) as of June 30, 2011, \$753.8 million (compared to a carrying amount of \$710.0 million) as of June 30, 2010, and \$1.23 billion (compared to a carrying amount of \$1.20 billion) as of December 31, 2010. The estimated fair values have been calculated based on broker quotes or rates for the same or similar instruments.

The fair value related disclosures for Mattel’s derivative financial instruments are included in Note 13, “Derivative Instruments”, and Note 14, “Fair Value Measurements”. The fair value related disclosures for Mattel’s other investments are included in Note 14, “Fair Value Measurements”.

### 16. Earnings Per Share

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Certain of Mattel’s restricted stock units (“RSUs”) are considered participating securities because they contain nonforfeitable rights to dividend equivalents.

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Under the two-class method, net income is reduced by the amount of dividends declared in the period for each class of common stock and participating securities. The remaining undistributed earnings are then allocated to common stock and participating securities as if all of the net income for the period had been distributed. Basic earnings per common share excludes dilution and is calculated by dividing net income allocable to common shares by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net income allocable to common shares by the weighted average number of common shares for the period, as adjusted for the potential dilutive effect of non-participating share-based awards. The following table reconciles earnings per common share for the three and six months ended June 30, 2011 and 2010:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands, except per share amounts)			
<b>Basic:</b>				
Net income	\$ 80,529	\$ 51,575	\$ 97,136	\$ 76,417
Less net income allocable to participating RSUs (a)	(1,190)	(602)	(1,419)	(900)
Net income available for basic common shares	<u>\$ 79,339</u>	<u>\$ 50,973</u>	<u>\$ 95,717</u>	<u>\$ 75,517</u>
Weighted average common shares outstanding	<u>347,133</u>	<u>362,819</u>	<u>348,094</u>	<u>363,065</u>
Basic net income per common share	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.21</u>
<b>Diluted:</b>				
Net income	\$ 80,529	\$ 51,575	\$ 97,136	\$ 76,417
Less net income allocable to participating RSUs (a)	(1,190)	(597)	(1,427)	(892)
Net income available for diluted common shares	<u>\$ 79,339</u>	<u>\$ 50,978</u>	<u>\$ 95,709</u>	<u>\$ 75,525</u>
Weighted average common shares outstanding	347,133	362,819	348,094	363,065
Weighted average common equivalent shares arising from:				
Dilutive stock options and non-participating RSUs	<u>3,811</u>	<u>3,032</u>	<u>3,650</u>	<u>3,079</u>
Weighted average number of common and potential common shares	<u>350,944</u>	<u>365,851</u>	<u>351,744</u>	<u>366,144</u>
Diluted net income per common share	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.21</u>

(a) During the three and six months ended June 30, 2011 and 2010, Mattel allocated a proportionate share of both dividends and undistributed earnings to participating RSUs.

The calculation of potential common shares assumes the exercise of dilutive stock options and vesting of non-participating RSUs, net of assumed treasury share repurchases at average market prices. Nonqualified stock options and non-participating RSUs totaling 0.1 million and 1.7 million shares were excluded from the calculation of diluted net income per common share for the three months ended June 30, 2011 and 2010, respectively, because they were antidilutive. Nonqualified stock options and non-participating RSUs totaling 0.1 million and 1.8 million shares were excluded from the calculation of diluted net income per common share for the six months ended June 30, 2011 and 2010, respectively, because they were antidilutive.

## 17. Employee Benefit Plans

Mattel and certain of its subsidiaries have qualified and nonqualified retirement plans covering substantially all employees of these companies, which are more fully described in Note 6 to the Consolidated Financial Statements in its 2010 Annual Report on Form 10-K.

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A summary of the components of net periodic benefit cost for Mattel's defined benefit pension plans is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
Service cost	\$ 2,992	\$ 2,715	\$ 6,205	\$ 6,032
Interest cost	7,324	7,862	14,653	16,017
Expected return on plan assets	(6,300)	(7,213)	(12,602)	(14,452)
Amortization of prior service cost	496	439	957	877
Recognized actuarial loss	3,632	4,254	7,268	7,922
	<u>\$ 8,144</u>	<u>\$ 8,057</u>	<u>\$ 16,481</u>	<u>\$ 16,396</u>

A summary of the components of net periodic benefit cost for Mattel's postretirement benefit plans is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
Service cost	\$ 20	\$ 22	\$ 40	\$ 44
Interest cost	438	627	875	1,254
Recognized actuarial loss	35	149	71	298
	<u>\$ 493</u>	<u>\$ 798</u>	<u>\$ 986</u>	<u>\$ 1,596</u>

During the six months ended June 30, 2011, Mattel made cash contributions totaling approximately \$32 million and \$2 million to its defined benefit pension and postretirement benefit plans, respectively.

## 18. Share-Based Payments

Mattel has various stock compensation plans, which are more fully described in Note 9 to the Consolidated Financial Statements in its 2010 Annual Report on Form 10-K. In May 2010, Mattel's stockholders approved the Mattel, Inc. 2010 Equity and Long-Term Compensation Plan ("the 2010 Plan"). Upon approval of the 2010 Plan, Mattel terminated the Mattel, Inc. 2005 Equity Compensation Plan ("the 2005 Plan"), except with regard to grants then outstanding under the 2005 Plan. All equity compensation grants are now being made under the 2010 Plan. Under the 2010 Plan, Mattel has the ability to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, RSUs, performance awards, dividend equivalent rights, and shares of common stock to officers, employees, and other persons providing services to Mattel. Stock options are granted with exercise prices at the fair market value of Mattel's common stock on the applicable grant date and expire no later than ten years from the date of grant. Both stock options and time-vesting RSUs generally provide for vesting over a period of three years from the date of grant.

Compensation expense, included within other selling and administrative expenses, related to stock options and RSUs is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
Stock option compensation expense	\$ 2,118	\$ 1,887	\$ 5,207	\$ 4,571
RSU compensation expense	6,780	10,694	14,663	20,839
	<u>\$ 8,898</u>	<u>\$ 12,581</u>	<u>\$ 19,870</u>	<u>\$ 25,410</u>

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As of June 30, 2011, total unrecognized compensation cost related to unvested share-based payments totaled \$54.5 million and is expected to be recognized over a weighted-average period of 2.0 years.

Mattel uses treasury shares purchased under its share repurchase program to satisfy stock option exercises and the vesting of RSUs. Cash received for stock option exercises for the six months ended June 30, 2011 and 2010 was \$67.4 million and \$44.3 million, respectively.

### 19. Other Selling and Administrative Expenses

Other selling and administrative expenses include the following:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
Design and development	\$ 45,105	\$ 42,917	\$ 88,251	\$ 84,312
Identifiable intangible asset amortization	2,383	2,549	4,550	5,101

### 20. Foreign Currency Transaction Gains and Losses

Currency exchange rate fluctuations may impact Mattel's results of operations and cash flows. Mattel's currency transaction exposures include gains and losses realized on unhedged inventory purchases and unhedged receivables and payables balances that are denominated in a currency other than the applicable functional currency. Gains and losses on unhedged inventory purchases and other transactions associated with operating activities are recorded in the components of operating income to which they relate in the consolidated statements of operations. For hedges of intercompany loans and advances, which do not qualify for hedge accounting treatment, the gains or losses on the hedges resulting from changes in fair value as well as the offsetting transaction gains or losses on the related hedged items, along with unhedged items, are recognized in non-operating income, net in the consolidated statements of operations. Inventory purchase and sale transactions denominated in the Euro, British pound sterling, and Mexican peso are the primary transactions that cause foreign currency transaction exposure for Mattel.

Currency transaction gains included in the consolidated statements of operations are as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
Operating income	\$ 7,504	\$ 6,369	\$ 19,059	\$ 16,234
Other non-operating income, net	337	3,502	362	1,470
Net transaction gains	<u>\$ 7,841</u>	<u>\$ 9,871</u>	<u>\$ 19,421</u>	<u>\$ 17,704</u>

### 21. Income Taxes

Mattel's provision for income taxes was \$19.0 million for the six months ended June 30, 2011, as compared to \$18.9 million for the six months ended June 30, 2010. Mattel recognized discrete tax benefits of \$6.4 million during the three and six months ended June 30, 2011, primarily related to reassessments of prior years' tax liabilities based on the status of current audits and tax filings in various jurisdictions, settlements, and enacted tax law changes. Mattel recognized discrete tax benefits of \$4.6 million and \$4.3 million during the three and six months ended June 30, 2010, respectively, primarily related to reassessments of prior years' tax liabilities based on the status of audits and tax filings in various jurisdictions, settlements, and enacted tax law changes.

During the six months ended June 30, 2010, Mattel reached a resolution with the Internal Revenue Service regarding all open issues relating to the examination of Mattel's US federal income tax returns for the years 2006 and 2007. The resolution did not have a material impact on Mattel's consolidated financial statement for the six months ended June 30, 2010.

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### 22. Contingencies

With regards to the claims against Mattel described below, Mattel intends to defend itself vigorously. Except as more fully described below, management cannot reasonably determine the scope or amount of possible liabilities that could result from an unfavorable settlement or resolution of these claims. However, it is possible that an unfavorable resolution of these claims could have a material adverse effect on Mattel's financial condition and results of operations, and there can be no assurance that Mattel will be able to achieve a favorable settlement or resolution of these claims.

#### *Litigation Related to Carter Bryant and MGA Entertainment, Inc.*

In April 2004, Mattel filed a lawsuit in Los Angeles County Superior Court against Carter Bryant ("Bryant"), a former Mattel design employee. The suit alleges that Bryant aided and assisted a Mattel competitor, MGA Entertainment, Inc. ("MGA"), during the time he was employed by Mattel, in violation of his contractual and other duties to Mattel. In September 2004, Bryant asserted counterclaims against Mattel, including counterclaims in which Bryant sought, as a putative class action representative, to invalidate Mattel's Confidential Information and Proprietary Inventions Agreements with its employees. Bryant also removed Mattel's suit to the United States District Court for the Central District of California. In December 2004, MGA intervened as a party-defendant in Mattel's action against Bryant, asserting that its rights to Bratz properties are at stake in the litigation.

Separately, in November 2004, Bryant filed an action against Mattel in the United States District Court for the Central District of California. The action sought a judicial declaration that Bryant's purported conveyance of rights in Bratz was proper and that he did not misappropriate Mattel property in creating Bratz.

In April 2005, MGA filed suit against Mattel in the United States District Court for the Central District of California. MGA's action alleges claims of trade dress infringement, trade dress dilution, false designation of origin, unfair competition, and unjust enrichment. The suit alleges, among other things, that certain products, themes, packaging, and/or television commercials in various Mattel product lines have infringed upon products, themes, packaging, and/or television commercials for various MGA product lines, including Bratz. The complaint also asserts that various alleged Mattel acts with respect to unidentified retailers, distributors, and licensees have damaged MGA and that various alleged acts by industry organizations, purportedly induced by Mattel, have damaged MGA. MGA's suit alleges that MGA has been damaged in an amount "believed to reach or exceed tens of millions of dollars" and further seeks punitive damages, disgorgement of Mattel's profits and injunctive relief.

In June 2006, the three cases were consolidated in the United States District Court for the Central District of California. On July 17, 2006, the Court issued an order dismissing all claims that Bryant had asserted against Mattel, including Bryant's purported counterclaims to invalidate Mattel's Confidential Information and Proprietary Inventions Agreements with its employees, and Bryant's claims for declaratory relief.

In November 2006, Mattel asked the Court for leave to file an Amended Complaint that included not only additional claims against Bryant, but also included claims for copyright infringement, RICO violations, misappropriation of trade secrets, intentional interference with contract, aiding and abetting breach of fiduciary duty and breach of duty of loyalty, and unfair competition, among others, against MGA, its CEO Isaac Larian, certain MGA affiliates and an MGA employee. The RICO claim alleged that MGA stole Bratz and then, by recruiting and hiring key Mattel employees and directing them to bring with them Mattel confidential and proprietary information, unfairly competed against Mattel using Mattel's trade secrets, confidential information, and key employees to build their business. On January 12, 2007, the Court granted Mattel leave to file these claims as counterclaims in the consolidated cases, which Mattel did that same day.

Mattel sought to try all of its claims in a single trial, but in February 2007, the Court decided that the consolidated cases would be tried in two phases, with the first trial to determine claims and defenses related to Mattel's ownership of Bratz works and whether MGA infringed those works. On May 19, 2008, Bryant reached a

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settlement agreement with Mattel and is no longer a defendant in the litigation. In the public stipulation entered by Mattel and Bryant in connection with the resolution, Bryant agreed that he was and would continue to be bound by all prior and future Court Orders relating to Bratz ownership and infringement, including the Court's summary judgment rulings.

The first phase of the first trial, which began on May 27, 2008, resulted in a unanimous jury verdict on July 17, 2008 in favor of Mattel. The jury found that almost all of the Bratz design drawings and other works in question were created by Bryant while he was employed at Mattel; that MGA and Isaac Larian intentionally interfered with the contractual duties owed by Bryant to Mattel, aided and abetted Bryant's breaches of his duty of loyalty to Mattel, aided and abetted Bryant's breaches of the fiduciary duties he owed to Mattel, and converted Mattel property for their own use. The same jury determined that defendants MGA, Larian, and MGA Entertainment (HK) Limited infringed Mattel's copyrights in the Bratz design drawings and other Bratz works, and awarded Mattel total damages of approximately \$100 million against the defendants. On December 3, 2008, the Court issued a series of orders rejecting MGA's equitable defenses and granting Mattel's motions for equitable relief, including an order enjoining the MGA party defendants from manufacturing, marketing, or selling certain Bratz fashion dolls or from using the "Bratz" name. The Court stayed the effect of the December 3, 2008 injunctive orders until further order of the Court and entered a further specified stay of the injunctive orders on January 7, 2009.

The parties filed and argued additional motions for post-trial relief, including a request by MGA to enter judgment as a matter of law on Mattel's claims in MGA's favor and to reduce the jury's damages award to Mattel. Mattel additionally moved for the appointment of a receiver. On April 27, 2009, the Court entered an order confirming that Bratz works found by the jury to have been created by Bryant during his Mattel employment were Mattel's property and that hundreds of Bratz female fashion dolls infringe Mattel's copyrights. The Court also upheld the jury's award of damages in the amount of \$100 million and ordered an accounting of post-trial Bratz sales. The Court further vacated the stay of the December 3, 2008 orders, except to the extent specified by the Court's January 7, 2009 modification.

MGA appealed the Court's equitable orders to the Court of Appeals for the Ninth Circuit. On December 9, 2009, the Ninth Circuit heard oral argument on MGA's appeal and issued an order staying the District Court's equitable orders pending a further order to be issued by the Ninth Circuit. The Ninth Circuit opinion vacating the relief ordered by the District Court was issued on July 22, 2010. The Ninth Circuit stated that, because of several jury instruction errors it identified, a significant portion—if not all—of the jury verdict and damage award should be vacated.

In its opinion, the Ninth Circuit found that the District Court erred in concluding that Mattel's Invention agreement unambiguously applied to "ideas;" that it should have considered extrinsic evidence in determining the application of the agreement; and if the conclusion turns on conflicting evidence, it should have been up to the jury to decide. The Ninth Circuit also concluded that the District Judge erred in transferring the entire brand to Mattel based on misappropriated names and that the Court should have submitted to the jury, rather than deciding itself, whether Bryant's agreement assigned works created outside the scope of his employment and whether Bryant's creation of the Bratz designs and sculpt was outside of his employment. The Court then went on to address copyright issues which would be raised after a retrial, since Mattel "might well convince a properly instructed jury" that it owns Bryant's designs and sculpt. The Ninth Circuit stated that the sculpt itself was entitled only to "thin" copyright protection against virtually identical works, while the Bratz sketches were entitled to "broad" protection against substantially similar works; in applying the broad protection, however, the Ninth Circuit found that the lower court had erred in failing to filter out all of the unprotectable elements of Bryant's sketches. This mistake, the Court said, caused the lower court to conclude that all Bratz dolls were substantially similar to Bryant's original sketches.

Judge Stephen Larson, who presided over the first trial, retired from the bench during the course of the appeal, and the case was transferred to Judge David O. Carter. After the transfer, Judge Carter granted Mattel leave to file a Fourth Amended Answer and Counterclaims which focused on RICO, trade secret and other

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claims, and added additional parties, and subsequently granted in part and denied in part a defense motion to dismiss those counterclaims. Later, on August 16, 2010, MGA asserted several new claims against Mattel in response to Mattel's Fourth Amended Answer and Counterclaims, including claims for alleged trade secret misappropriation, an alleged violation of RICO, and wrongful injunction. Mattel moved to strike and/or dismiss these claims, as well as certain MGA allegations regarding Mattel's motives for filing suit. The Court granted that motion as to the wrongful injunction claim, which it dismissed with prejudice, and as to the allegations about Mattel's motives, which it struck. The Court denied the motion as to MGA's trade secret misappropriation claim and its claim for violations of RICO.

The Court resolved summary judgment motions in late 2010. Among other rulings, the Court dismissed both parties' RICO claims; dismissed Mattel's claim for breach of fiduciary duty and portions of other claims as "preempted" by the trade secrets act; dismissed MGA's trade dress infringement claims; dismissed MGA's unjust enrichment claim; dismissed MGA's common law unfair competition claim; and dismissed portions of Mattel's copyright infringement claim as to "later generation" Bratz dolls.

Trial of all remaining claims began in early January 2011. During the trial, and before the case was submitted to the jury, the Court granted MGA's motions for judgment as to Mattel's claims for aiding and abetting breach of duty of loyalty and conversion. The Court also granted a defense motion for judgment on portions of Mattel's claim for misappropriation of trade secrets relating to thefts by former Mattel employees located in Mexico.

The jury reached verdicts on the remaining claims in April 2011. In those verdicts, the jury ruled against Mattel on its claims for ownership of Bratz-related works, for copyright infringement, and for misappropriation of trade secrets. The jury ruled for MGA on its claim of trade secret misappropriation as to 26 of its claimed trade secrets and awarded \$88.5 million in damages. The jury ruled against MGA as to 88 of its claimed trade secrets. The jury found that Mattel's misappropriation was willful and malicious. The Court will determine whether an award of exemplary damages is appropriate, which may not exceed twice the \$88.5 million award of compensatory damages. Additionally, attorney's fees and costs may be awarded. MGA has sought approximately \$172.8 million in attorney's fees and costs; the amount, if any, that the Court will award cannot be determined at this time.

Mattel does not believe that it is probable that any of the damages awarded to MGA will be sustained based on the evidence presented at trial and, accordingly, a liability has not been accrued for this matter. Judgment has not yet been entered, post-trial motions have not yet been ruled upon, and appeals have not yet been filed. Mattel has filed a motion for judgment as a matter of law on MGA's claim for misappropriation of trade secrets, which is pending.

The Court will rule separately on the parties' claims for unfair competition under California Business & Professions Code Section 17200. In February 2011, MGA commenced litigation in the United States District Court for the Central District of California alleging that Mattel's conduct in response to MGA's sale of Bratz violated both the federal antitrust statute and the California Business & Professions Code, and constituted abuse of process under California law. Mattel believes these claims are without merit. Mattel has moved to dismiss these claims and intends to vigorously defend against them.

### *Litigation Related to Gunther-Wahl Productions, Inc.*

In April 1998, Mattel was sued in the Los Angeles County Superior Court by Gunther-Wahl Productions, Inc. ("Gunther-Wahl"), a producer of animated television shows, and Candy Wahl, the wife of the principal of Gunther-Wahl ("Gunther-Wahl I"). The lawsuit alleges that Mattel breached an implied contract with Gunther-Wahl arising from a pitch of an animated television show, in that Mattel allegedly used plaintiffs' ideas without compensating plaintiffs for the use of the ideas. Mattel denies that it used any of plaintiffs' ideas in any Mattel product. A jury trial was held in early 2000, which resulted in a judgment in favor of Mattel on every claim. On

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December 5, 2002, the California Court of Appeal reversed the judgment in favor of Mattel, and remanded the matter for a new trial. During the pendency of the Gunther-Wahl I appeal, plaintiffs filed an additional lawsuit against Mattel alleging Mattel further breached the implied contract by using plaintiffs' ideas in products released subsequent to the trial without compensating plaintiffs ("Gunther-Wahl II"). Between September 2004 and March 2008 and between December 2008 and March 2010, both Gunther-Wahl I and II were stayed as a result of a bankruptcy proceeding filed by one of the principals of Gunther-Wahl. In November 2008, while the stay was lifted, Mattel filed potentially case dispositive motions in both lawsuits. In the fourth quarter of 2010, the Court denied Mattel's motions. During that quarter, plaintiffs also expanded the list of Mattel products which they contend wrongfully use their ideas and form the basis for their alleged damages. Plaintiffs are seeking royalty-based damages on Mattel's entire Fairytopia line of products, as well as numerous other products. Trial was originally scheduled to begin in the first quarter of 2011, but in March 2011, the lawsuits were assigned to a new judge for purposes of trial. While awaiting the start of trial, the parties reached an agreement to settle that includes a payment from Mattel to plaintiffs in the amount of \$7.5 million, which was accrued as a contingent loss reserve at March 31, 2011 and continues to be accrued at June 30, 2011. The settlement has been approved by the bankruptcy court and is final. Mattel must make the settlement payment in July 2011 and the actions will be dismissed with prejudice in the third quarter of 2011.

### 23. Segment Information

#### *Description of Segments*

Mattel's operating segments are separately managed business units and are divided on a geographic basis between domestic and international. Mattel's domestic operating segments include:

*Mattel Girls & Boys Brands* —including Barbie® fashion dolls and accessories ("Barbie®"), Polly Pocket®, Little Mommy®, Disney Classics®, and Monster High® (collectively "Other Girls Brands"), Hot Wheels®, Matchbox®, Battle Force 5®, and Tycor/C® vehicles and play sets (collectively "Wheels"), and CARS®, Radica®, Toy Story®, Max Steel®, WWE® Wrestling, and Batman® products, and games and puzzles (collectively "Entertainment").

*Fisher-Price Brands* —including Fisher-Price®, Little People®, BabyGear™, and View-Master® (collectively "Core Fisher-Price®"), Dora the Explorer®, Go Diego Go!®, Thomas and Friends®, Sing-a-ma-jigs™, and See 'N Say® (collectively "Fisher-Price® Friends"), and Power Wheels®.

*American Girl Brands* —including My American Girl®, the historical collection, and Bitty Baby®. American Girl Brands products are sold directly to consumers via its catalogue, website, and proprietary retail stores. Its children's publications are also sold to certain retailers.

Additionally, the International segment sells products in all toy categories, except American Girl Brands.

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### Segment Data

The following tables present information about revenues, income, and assets by segment. Mattel does not include sales adjustments such as trade discounts and other allowances in the calculation of segment revenues (referred to as “gross sales”). Mattel records these adjustments in its financial accounting systems at the time of sale to each customer, but the adjustments are not allocated to individual products. For this reason, Mattel’s chief operating decision maker uses gross sales by segment as one of the metrics to measure segment performance. Such sales adjustments are included in the determination of segment income based on the adjustments recorded in the financial accounting systems. Segment income represents each segment’s operating income. The corporate and other category includes costs not allocated to individual segments, including charges related to incentive compensation, share-based payments, and corporate headquarters functions managed on a worldwide basis, and the impact of changes in foreign currency rates on intercompany transactions.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
<b>Revenues</b>				
Domestic:				
Mattel Girls & Boys Brands US	\$ 323,062	\$ 289,733	\$ 626,827	\$ 549,039
Fisher-Price Brands US	224,129	223,853	396,788	407,102
American Girl Brands	66,438	58,880	139,392	129,086
Total Domestic	613,629	572,466	1,163,007	1,085,227
International	650,527	529,579	1,142,258	977,092
Gross sales	1,264,156	1,102,045	2,305,265	2,062,319
Sales adjustments	(102,489)	(83,542)	(191,742)	(163,734)
Net sales	\$ 1,161,667	\$ 1,018,503	\$ 2,113,523	\$ 1,898,585
<b>Segment Income (Loss)</b>				
Domestic:				
Mattel Girls & Boys Brands US	\$ 63,165	\$ 55,696	\$ 124,502	\$ 96,550
Fisher-Price Brands US	14,918	20,732	17,180	33,024
American Girl Brands	(1,638)	(3,249)	2,500	(249)
Total Domestic	76,445	73,179	144,182	129,325
International	98,985	67,372	151,588	107,273
	175,430	140,551	295,770	236,598
Corporate and other expense (a)	(66,163)	(71,115)	(149,745)	(121,935)
Operating income	109,267	69,436	146,025	114,663
Interest expense	17,642	13,444	36,458	27,067
Interest (income)	(2,451)	(2,782)	(5,614)	(5,234)
Other non-operating (income), net	(812)	(3,303)	(968)	(2,529)
Income before income taxes	\$ 94,888	\$ 62,077	\$ 116,149	\$ 95,359

(a) Corporate and other expense includes (i) share-based compensation expense of \$8.9 million and \$19.9 million for the three and six months ended June 30, 2011, respectively, and \$12.6 million and \$25.4 million for the three and six months ended June 30, 2010, respectively, (ii) severance expense of \$8.6 million and \$10.5 million for the three and six months ended June 30, 2011, respectively, and \$8.7 million and \$11.0 million for the three and six months ended June 30, 2010, respectively, (iii) reduction to the legal settlement reserve for product liability-related litigation of \$1.2 million and \$8.7 million for the three and six months ended June 30, 2010, respectively, (iv) \$7.5 million Gunther-Wahl Productions legal settlement for the six months ended June 30, 2011, and (v) legal fees associated with MGA litigation matters.

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	<u>June 30, 2011</u>	<u>June 30, 2010</u> (In thousands)	<u>December 31,</u> <u>2010</u>
<b>Assets</b>			
Domestic:			
Mattel Girls & Boys Brands US	\$ 329,588	\$ 288,601	\$ 380,998
Fisher-Price Brands US	275,469	260,428	322,134
American Girl Brands	89,380	70,115	67,435
Total Domestic	694,437	619,144	770,567
International	965,517	691,459	779,875
	1,659,954	1,310,603	1,550,442
Corporate and other	135,579	92,087	59,502
Accounts receivable and inventories, net	<u>\$ 1,795,533</u>	<u>\$ 1,402,690</u>	<u>\$ 1,609,944</u>

Mattel sells a broad variety of toy products, which are grouped into three major categories: Mattel Girls & Boys Brands, Fisher-Price Brands, and American Girl Brands. The table below presents worldwide revenues by category:

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	(In thousands)			
<b>Worldwide Revenues</b>				
Mattel Girls & Boys Brands	\$ 795,625	\$ 653,159	\$ 1,452,001	\$ 1,226,271
Fisher-Price Brands	399,955	385,167	709,821	701,360
American Girl Brands	66,438	58,880	139,392	129,086
Other	2,138	4,839	4,051	5,602
Gross sales	1,264,156	1,102,045	2,305,265	2,062,319
Sales adjustments	(102,489)	(83,542)	(191,742)	(163,734)
Net sales	<u>\$ 1,161,667</u>	<u>\$ 1,018,503</u>	<u>\$ 2,113,523</u>	<u>\$ 1,898,585</u>

## 24. New Accounting Pronouncements

In May 2011, the Financial Accounting Standard Board (“FASB”) issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 clarifies some existing concepts, eliminates wording differences between U.S. GAAP and International Financial Reporting Standards (“IFRS”), and in some limited cases, changes some principles to achieve convergence between U.S. GAAP and IFRS. ASU 2011-04 results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. ASU 2011-04 will be effective for Mattel beginning after December 15, 2011. Mattel does not expect the adoption of ASU 2011-04 to have a material effect on its operating results or financial position.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of equity. ASU 2011-05 will be effective for Mattel beginning after December 15, 2011. Mattel does not expect the adoption of ASU 2011-05 to have a material effect on its operating results or financial position.

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On July 15, 2011, Mattel announced that the Board of Directors approved a third quarter dividend of \$0.23 per common share. The dividend is payable on September 23, 2011 to stockholders of record on August 31, 2011.

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### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the consolidated financial information and related notes that appear in Part I, Item 1, of this Quarterly Report. Mattel’s business is seasonal; therefore, results of operations are comparable only with corresponding periods.

#### Factors That May Affect Future Results

(Cautionary Statement Under the Private Securities Litigation Reform Act of 1995)

Mattel is including this Cautionary Statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “Act”) for forward-looking statements. This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Act. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could,” “may,” “aims,” “intends,” or “projects.” A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Investors should not place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-Q. These forward-looking statements are all based on currently available operating, financial, economic and competitive information and are subject to various risks and uncertainties. The Company’s actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties detailed in Item 1A. “Risk Factors” in Mattel’s 2010 Annual Report on Form 10-K.

#### Overview

Mattel designs, manufactures, and markets a broad variety of toy products worldwide, which are sold to its customers and directly to consumers. Mattel’s business is dependent in great part on its ability each year to redesign, restyle, and extend existing core products and product lines, to design and develop innovative new products and product lines, and to successfully market those products and product lines. Mattel plans to continue to focus on its portfolio of traditional brands that have historically had worldwide appeal, to create new brands utilizing its knowledge of children’s play patterns, and to target customer and consumer preferences around the world.

Mattel believes its products are among the most widely recognized toy products in the world. Mattel’s portfolio of brands and products are grouped in the following categories:

*Mattel Girls & Boys Brands* —including Barbie® fashion dolls and accessories (“Barbie®”), Polly Pocket®, Little Mommy®, Disney Classics®, and Monster High® (collectively “Other Girls Brands”), Hot Wheels®, Matchbox®, Battle Force 5®, and Tyco R/C® vehicles and play sets (collectively “Wheels”), and CARS®, Radica®, Toy Story®, Max Steel®, WWE® Wrestling, and Batman® products, and games and puzzles (collectively “Entertainment”).

*Fisher-Price Brands* —including Fisher-Price®, Little People®, BabyGear™, and View-Master® (collectively “Core Fisher-Price®”), Dora the Explorer®, Go Diego Go!®, Thomas and Friends®, Sing-a-ma-jigs™, and See ‘N Say® (collectively “Fisher-Price® Friends”), and Power Wheels®.

*American Girl Brands* —including My American Girl®, the historical collection, and Bitty Baby®. American Girl Brands products are sold directly to consumers via its catalogue, website, and proprietary retail stores. Its children’s publications are also sold to certain retailers.

Mattel’s objective is to continue to create long-term stockholder value by generating strong cash flow and deploying it in a disciplined and opportunistic manner as outlined in Mattel’s capital and investment framework (see “Liquidity and Capital Resources—Capital and Investment Framework”). To achieve this objective, management has established three overarching strategies.

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The first strategy is to deliver consistent growth by continuing the momentum in its core brands, optimizing entertainment partnerships, building new franchises, and working to expand and leverage its international footprint.

The second strategy is to build on the progress it has made on improving operating margins through at least sustaining the gross margins and delivering another round of cost savings.

The third strategy is to generate significant cash flow and continue its disciplined, opportunistic, and value-enhancing deployment.

### *Second Quarter 2011 Overview*

Mattel's results for the second quarter of 2011 include a net sales increase of 14%, as compared to the second quarter of 2010. Net sales during the second quarter of 2011 reflects growth both domestically and internationally from sales of products tied to core brands and new entertainment properties. Additionally:

- Gross profit, as a percentage of net sales, decreased from 48.1% in the second quarter of 2010 to 47.9% in 2011, primarily due to higher product costs and higher royalty expense, partially offset by price increases.
- Operating income in the second quarter of 2011 was \$109.3 million, as compared to \$69.4 million in 2010. The increase in operating income is primarily due to higher net sales and gross profit, partially offset by higher advertising and promotion expenses and higher other selling and administrative expenses.
- Net income in the second quarter of 2011 was \$80.5 million, as compared to \$51.6 million in 2010. The increase in net income is primarily due to higher operating income, partially offset by higher interest expense associated with the \$500.0 million of senior notes issued in September 2010.
- Mattel's Operational Excellence 2.0 program generated gross savings of approximately \$9 million during the second quarter of 2011.

## **Results of Operations—Second Quarter**

### *Consolidated Results*

Net sales for the second quarter of 2011 were \$1.16 billion, up 14% as compared to \$1.02 billion in 2010, with favorable changes in currency exchange rates of 5 percentage points. Net income for the second quarter of 2011 was \$80.5 million, or \$0.23 per diluted share, as compared to \$51.6 million, or \$0.14 per diluted share, in 2010. Net income for the second quarter of 2011 was positively impacted by higher net sales and gross profit, partially offset by higher advertising and promotion expenses and higher other selling and administrative expenses.

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The following table provides a summary of Mattel's consolidated results for the second quarter of 2011 and 2010 (in millions, except percentage and basis point information):

	For the Three Months Ended June 30,				Year/Year Change	
	2011		2010		Basis Points	
	Amount	% of Net Sales	Amount	% of Net Sales	%	of Net Sales
Net sales	\$1,161.7	100.0%	\$1,018.5	100.0%	14%	—
Gross profit	\$ 556.2	47.9%	\$ 489.6	48.1%	14%	-20
Advertising and promotion expenses	116.2	10.0	101.9	10.0	14%	—
Other selling and administrative expenses	330.7	28.5	318.3	31.3	4%	-280
Operating income	109.3	9.4	69.4	6.8	57%	260
Interest expense	17.6	1.5	13.4	1.3	31%	20
Interest (income)	(2.5)	-0.2	(2.8)	-0.3	-12%	10
Other non-operating (income), net	(0.7)		(3.3)			
Income before income taxes	\$ 94.9	8.2%	\$ 62.1	6.1%	53%	210

### Sales

Net sales for the second quarter of 2011 were \$1.16 billion, up 14% as compared to \$1.02 billion in 2010, with favorable changes in currency exchange rates of 5 percentage points. Gross sales within the US increased 7% in the second quarter of 2011, as compared to 2010, and accounted for 49% of consolidated gross sales in the second quarter of 2011, as compared to 52% of consolidated gross sales in 2010. Gross sales in international markets increased 23% in the second quarter of 2011, as compared to 2010, with favorable changes in currency exchange rates of 11 percentage points.

Worldwide gross sales of Mattel Girls & Boys Brands increased 22% in the second quarter of 2011 to \$795.6 million, with favorable changes in currency exchange rates of 7 percentage points. Domestic gross sales of Mattel Girls & Boys Brands increased 12% and international gross sales increased 30%, with favorable changes in currency exchange rates of 12 percentage points. Worldwide gross sales of Barbie® increased 12%, with favorable changes in currency exchange rates of 6 percentage points. Domestic gross sales of Barbie® were flat and international gross sales increased 20%, with favorable changes in currency exchange rates of 10 percentage points. Worldwide gross sales of Other Girls products increased 29%, with favorable changes in currency exchange rates of 7 percentage points, driven primarily by sales of Monster High™ products and higher sales of Disney Princess™ products, partially offset by lower sales of Polly Pocket® products. Worldwide gross sales of Wheels products decreased 2%, with favorable changes in currency exchange rates of 5 percentage points, driven primarily by lower sales of Hot Wheels® products domestically. Worldwide gross sales of Hot Wheels® decreased 2%, with favorable changes in currency exchange rates of 6 percentage points. Worldwide gross sales of Entertainment products increased 41%, with favorable changes in currency exchange rates of 8 percentage points, driven primarily by sales of CARS® and Green Lantern® products, partially offset by lower sales of Toy Story® 3 products.

Worldwide gross sales of Fisher-Price Brands increased 4% in the second quarter of 2011 to \$400.0 million, with favorable changes in currency exchange rates of 3 percentage points. Domestic gross sales of Fisher-Price Brands were flat and international gross sales increased 9%, with favorable changes in currency exchange rates of 8 percentage points. Worldwide gross sales of Core Fisher-Price® increased 9%, with favorable changes in currency exchange rates of 3 percentage points. Domestic gross sales of Core Fisher-Price® increased 9% and international gross sales increased 9%, with favorable changes in currency exchange rates of 8 percentage points. Worldwide gross sales of Fisher-Price® Friends decreased 11%, with favorable changes in currency exchange rates of 4 percentage points, driven primarily by the discontinuation of the Sesame Street® license, partially

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offset by higher sales of Thomas and Friends<sup>®</sup> products internationally. Domestic gross sales of Fisher-Price<sup>®</sup> Friends decreased 27% and international gross sales increased 10%, with favorable changes in currency exchange rates of 8 percentage points.

American Girl Brands gross sales increased 13% in the second quarter of 2011 to \$66.4 million, driven primarily by Kanani<sup>™</sup>, the 2011 Girl of the Year<sup>®</sup> doll, and the new American Girl<sup>®</sup> stores in Overland Park, Kansas and McLean, Virginia, which opened in September 2010 and June 2011, respectively.

### *Cost of Sales*

Cost of sales as a percentage of net sales was 52.1% in the second quarter of 2011, as compared to 51.9% in 2010. Cost of sales increased by \$76.5 million, or 14%, from \$528.9 million in the second quarter of 2010 to \$605.4 million in 2011, as compared to a 14% increase in net sales. Within cost of sales, product costs increased by \$56.1 million, or 13%, from \$420.7 million in the second quarter of 2010 to \$476.8 million in 2011; royalty expense increased by \$15.2 million, or 30%, from \$50.4 million in the second quarter of 2010 to \$65.6 million in 2011; and freight and logistics expenses increased by \$5.2 million, or 9%, from \$57.8 million in the second quarter of 2010 to \$63.0 million in 2011.

### *Gross Profit*

Gross profit as a percentage of net sales was 47.9% in the second quarter of 2011, as compared to 48.1% in 2010. The decrease in gross profit as a percentage of net sales was driven primarily by higher product costs and higher royalty expense, partially offset by price increases.

### *Advertising and Promotion Expenses*

Advertising and promotion expenses remained flat at 10.0% of net sales in the second quarter of 2011 and 2010.

### *Other Selling and Administrative Expenses*

Other selling and administrative expenses were \$330.8 million, or 28.5% of net sales, in the second quarter of 2011, as compared to \$318.3 million, or 31.3% of net sales, in 2010. The dollar increase is driven primarily by the impact of foreign currency exchange and investments in strategic initiatives, partially offset by savings from Mattel's Operational Excellence 2.0 program and lower legal-related costs.

### *Non-Operating Items*

Interest expense increased from \$13.4 million in the second quarter of 2010 to \$17.6 million in 2011, driven primarily by interest expense associated with the \$500.0 million of senior notes issued in September 2010. Interest income decreased from \$2.8 million in the second quarter of 2010 to \$2.5 million in 2011, driven primarily by lower average interest rates, partially offset by higher average invested cash balances. The change in other non-operating income primarily relates to foreign currency exchange gains/losses.

### *Provision for Income Taxes*

Mattel's provision for income taxes was \$14.4 million in the second quarter of 2011, as compared to \$10.5 million in 2010. Mattel recognized discrete tax benefits of \$6.4 million and \$4.6 million during the second quarter of 2011 and 2010, respectively, primarily related to reassessments of prior years' tax liabilities based on the status of audits and tax filings in various jurisdictions, settlements, and enacted tax law changes.

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### *Business Segment Results*

Mattel's reportable segments are separately managed business units and are divided on a geographic basis between domestic and international. The Domestic segment is further divided into Mattel Girls & Boys Brands US, Fisher-Price Brands US, and American Girl Brands.

#### *Mattel Girls & Boys Brands US*

Mattel Girls & Boys Brands US gross sales were \$323.1 million in the second quarter of 2011, up \$33.4 million or 12%, as compared to \$289.7 million in 2010. Within this segment, gross sales of Barbie® products remained flat and gross sales of Other Girls products increased 7%, driven primarily by sales of Monster High™ products, partially offset by lower sales of Polly Pocket® products. Gross sales of Wheels products decreased 18%, driven primarily by lower sales of Hot Wheels® products. Gross sales of Entertainment products increased 37%, driven primarily by sales of CARS® and Green Lantern® products, partially offset by lower sales of Toy Story® 3 products. Cost of sales increased 15% in the second quarter of 2011, as compared to an 11% increase in net sales, primarily due to higher product costs and royalty expense. Gross margin decreased primarily due to higher product costs and royalty expenses, partially offset by price increases.

Mattel Girls & Boys Brands US segment income increased \$7.5 million, or 13%, from \$55.7 million in the second quarter of 2010 to \$63.2 million in 2011, driven primarily by higher sales, partially offset by lower gross margin.

#### *Fisher-Price Brands US*

Fisher-Price Brands US gross sales were \$224.1 million in the second quarter of 2011, up \$0.2 million, as compared to \$223.9 million in 2010. Within this segment, gross sales of Core Fisher-Price® products increased 9%. Gross sales of Fisher-Price® Friends products decreased 27%, driven primarily by the discontinuation of the Sesame Street® license. Cost of sales increased 1% in the second quarter of 2011, as compared to a 1% decrease in net sales, primarily due to higher product costs, partially offset by lower freight and logistics costs. Gross margin decreased primarily due to higher product costs and unfavorable product mix, partially offset by price increases.

Fisher-Price Brands US segment income decreased \$5.8 million, from \$20.7 million in the second quarter of 2010 to \$14.9 million in 2011, driven primarily by lower sales and lower gross margin.

#### *American Girl Brands*

American Girl Brands gross sales were \$66.4 million in the second quarter of 2011, up \$7.5 million or 13%, as compared to \$58.9 million in 2010, driven primarily by higher sales of Kanani™, the 2011 Girl of the Year® doll, and the new stores in Overland Park, Kansas and McLean, Virginia, which opened in September 2010 and June 2011, respectively. Cost of sales increased 10% in the second quarter of 2011, as compared to a 12% increase in net sales, primarily due to higher product costs. Gross margin improvement was primarily due to price increases and favorable product mix, partially offset by higher product costs.

American Girl Brands segment loss decreased from a \$3.2 million loss in the second quarter of 2010 to a \$1.6 million loss in 2011, driven primarily by higher sales and higher gross margin, partially offset by higher other selling and administrative expenses.

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### International

The following table provides a summary of percentage changes in gross sales within the International segment for the second quarter of 2011 versus 2010:

<u>Non-US Regions:</u>	% Change in	Impact of Change
	<u>Gross Sales</u>	<u>in Currency (in % pts)</u>
Total International	23	11
Europe	27	12
Latin America	20	9
Asia Pacific	20	9
Other	15	5

International gross sales were \$650.5 million in the second quarter of 2011, up \$120.9 million or 23%, as compared to \$529.6 million in 2010, with favorable changes in currency exchange rates of 11 percentage points. Gross sales of Mattel Girls & Boys Brands increased 30%, with favorable changes in currency exchange rates of 12 percentage points. Gross sales of Barbie® products increased 20%, with favorable changes in currency exchange rates of 10 percentage points. Gross sales of Other Girls products increased 49%, with favorable changes in currency exchange rates of 14 percentage points, driven primarily by sales of Monster High™ products and higher sales of Disney Princess™ products, partially offset by lower sales of Polly Pocket® products. Gross sales of Wheels products increased 10%, with favorable changes in currency exchange rates of 9 percentage points, driven primarily by increased sales of Hot Wheels® products. Gross sales of Entertainment products increased 45%, with favorable changes in currency exchange rates of 14 percentage points, driven primarily by sales of CARS® and Green Lantern® products, partially offset by lower sales of Toy Story® 3 products. Gross sales of Fisher-Price Brands increased 9%, with favorable changes in currency exchange rates of 8 percentage points. Gross sales of Core Fisher-Price® products increased 9%, with favorable changes in currency exchange rates of 8 percentage points. Gross sales of Fisher-Price® Friends products increased 10%, with favorable changes in currency exchange rates of 8 percentage points, driven primarily by higher sales of Thomas and Friends® products, partially offset by the discontinuation of the Sesame Street® license. Cost of sales increased 24% in the second quarter of 2011, as compared to a 23% increase in net sales, primarily due to higher product costs and higher royalty expense. Gross margin decreased primarily due to higher product costs and royalty expense, partially offset by price increases.

International segment income increased \$31.6 million, or 47%, from \$67.4 million in the second quarter of 2010 to \$99.0 million in 2011, driven primarily by higher sales, partially offset by lower gross margin.

### Results of Operations—First Half

#### Consolidated Results

Net sales for the first half of 2011 were \$2.11 billion, up 11% as compared to \$1.90 billion in 2010, with favorable changes in currency exchange rates of 3 percentage points. Net income for the first half of 2011 was \$97.1 million, or \$0.27 per diluted share, as compared to \$76.4 million, or \$0.21 per diluted share, in 2010. Net income for the first half of 2011 was positively impacted by higher net sales and gross margins, partially offset by higher other selling and administrative expenses and higher advertising and promotion expense.

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The following table provides a summary of Mattel's consolidated results for the first half of 2011 and 2010 (in millions, except percentage and basis point information):

	For the Six Months Ended June 30,				Year/Year Change	
	2011		2010		Basis Points	
	Amount	% of Net Sales	Amount	% of Net Sales	%	of Net Sales
Net sales	\$2,113.5	100.0%	\$1,898.6	100.0%	11%	—
Gross profit	\$1,029.4	48.7%	\$ 921.5	48.5%	12%	20
Advertising and promotion expenses	218.0	10.3	196.0	10.3	11%	—
Other selling and administrative expenses	665.4	31.5	610.8	32.2	9%	-70
Operating income	146.0	6.9	114.7	6.0	27%	90
Interest expense	36.5	1.7	27.1	1.4	35%	30
Interest (income)	(5.6)	-0.3	(5.2)	-0.3	7%	—
Other non-operating (income), net	(1.0)		(2.6)			
Income before income taxes	\$ 116.1	5.5%	\$ 95.4	5.0%	22%	50

### Sales

Net sales for the first half of 2011 were \$2.11 billion, up 11% as compared to \$1.90 billion in 2010, with favorable changes in currency exchange rates of 3 percentage points. Gross sales within the US increased 7% in the first half of 2011, as compared to 2010, and accounted for 50% of consolidated gross sales in the first half of 2011 as compared to 53% of consolidated gross sales in 2010. Gross sales in international markets increased 17% in the first half of 2011, as compared to 2010, with favorable changes in currency exchange rates of 6 percentage points.

Worldwide gross sales of Mattel Girls & Boys Brands increased 18% in the first half of 2011 to \$1.45 billion, with favorable changes in currency exchange rates of 3 percentage points. Domestic gross sales of Mattel Girls & Boys Brands increased 14% and international gross sales increased 22%, with favorable changes in currency exchange rates of 7 percentage points. Worldwide gross sales of Barbie® increased 13%, with favorable changes in currency exchange rates of 4 percentage points. Domestic gross sales of Barbie® were flat and international gross sales increased 21%, with favorable changes in currency exchange rates of 6 percentage points. Worldwide gross sales of Other Girls products increased 34%, with favorable changes in currency exchange rates of 4 percentage points, driven primarily by sales of Monster High™ products and higher sales of Disney Princess™ products, partially offset by lower sales of Polly Pocket® products. Worldwide gross sales of Wheels products increased 1%, with favorable changes in currency exchange rates of 3 percentage points, driven primarily by higher sales of Hot Wheels® products internationally. Worldwide gross sales of Hot Wheels® increased 2%, with favorable changes in currency exchange rates of 4 percentage points. Worldwide gross sales of Entertainment products increased 30%, with favorable changes in currency exchange rates of 5 percentage points, driven primarily by sales of CARS® and Green Lantern® products, partially offset by lower sales of Toy Story® 3 products.

Worldwide gross sales of Fisher-Price Brands increased 1% in the first half of 2011 to \$709.8 million, with favorable changes in currency exchange rates of 2 percentage points. Domestic gross sales of Fisher-Price Brands decreased 3% and international gross sales increased 6%, with favorable changes in currency exchange rates of 4 percentage points. Worldwide gross sales of Core Fisher-Price® increased 5%, with favorable changes in currency exchange rates of 2 percentage points. Domestic gross sales of Core Fisher-Price® increased 3% and international gross sales increased 7%, with favorable changes in currency exchange rates of 4 percentage points. Worldwide gross sales of Fisher-Price® Friends decreased 12%, with favorable changes in currency exchange rates of 2 percentage points, driven primarily by the discontinuation of the Sesame Street® license, partially

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offset by higher sales of Thomas and Friends<sup>®</sup> products internationally. Domestic gross sales of Fisher-Price<sup>®</sup> Friends decreased 24% and international gross sales increased 4%, with favorable changes in currency exchange rates of 6 percentage points.

American Girl Brands gross sales increased 8% in the first half of 2011 to \$139.4 million, driven primarily by Kanani<sup>™</sup>, the 2011 Girl of the Year<sup>®</sup> doll, and the new stores in Lone Tree, Colorado, Overland Park, Kansas, and McLean, Virginia, which opened in March 2010, September 2010, and June 2011, respectively.

### *Cost of Sales*

Cost of sales as a percentage of net sales was 51.3% in the first half of 2011, as compared to 51.5% in 2010. Cost of sales increased by \$107.0 million, or 11%, from \$977.1 million in the first half of 2010 to \$1.08 billion in 2011, as compared to an 11% increase in net sales. Within cost of sales, product costs increased by \$82.0 million, or 11%, from \$774.9 million in the first half of 2010 to \$856.9 million in 2011; royalty expense increased by \$17.5 million, or 20%, from \$86.1 million in the first half of 2010 to \$103.6 million in 2011; and freight and logistics expenses increased by \$7.5 million, or 6%, from \$116.1 million in the first half of 2010 to \$123.6 million in 2011.

### *Gross Profit*

Gross profit as a percentage of net sales was 48.7% in the first half of 2011, as compared to 48.5% in 2010. The increase in gross profit as a percentage of net sales was driven primarily by price increases, partially offset by higher product costs and royalty expense.

### *Advertising and Promotion Expenses*

Advertising and promotion expenses remained flat at 10.3% of net sales in the first half of 2011 and 2010.

### *Other Selling and Administrative Expenses*

Other selling and administrative expenses were \$665.4 million, or 31.5% of net sales, in the first half of 2011, as compared to \$610.8 million, or 32.2% of net sales, in 2010. The dollar increase is driven primarily by higher legal-related costs, higher employee-related costs, including merit and other compensation expense, and unfavorable foreign currency exchange, partially offset by savings from Mattel's Operational Excellence 2.0 program.

### *Non-Operating Items*

Interest expense increased from \$27.1 million in the first half of 2010 to \$36.5 million in 2011, driven primarily by interest expense associated with the \$500.0 million of senior notes issued in September 2010. Interest income increased from \$5.2 million in the first half of 2010 to \$5.6 million in 2011, driven primarily by higher average invested cash balances, partially offset by lower average interest rates. The change in other non-operating income primarily relates to foreign currency exchange gains/losses.

### *Provision for Income Taxes*

Mattel's income tax provision was \$19.0 million in the first half of 2011, as compared to \$18.9 million in 2010. Mattel recognized discrete tax benefits of \$6.4 million and \$4.3 million during the first half of 2011 and 2010, respectively, primarily related to reassessments of prior years' tax liabilities based on the status of audits and tax filings in various jurisdictions, settlements, and enacted tax law changes.

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During the first half of 2010, Mattel reached a resolution with the Internal Revenue Service (“IRS”) regarding all open issues relating to the examination of Mattel’s US federal income tax returns for the years 2006 and 2007. The resolution did not have a material impact on Mattel’s consolidated financial statement for the first half of 2010.

### *Business Segment Results*

Mattel’s reportable segments are separately managed business units and are divided on a geographic basis between domestic and international. The Domestic segment is further divided into Mattel Girls & Boys Brands US, Fisher-Price Brands US, and American Girl Brands.

#### *Mattel Girls & Boys Brands US*

Mattel Girls & Boys Brands US gross sales were \$626.8 million in the first half of 2011, up \$77.8 million or 14%, as compared to \$549.0 million in 2010. Within this segment, gross sales of Barbie® products remained flat and gross sales of Other Girls products increased 31%, driven primarily by sales of Monster High™ and Disney Princess™ products, partially offset by lower sales of Polly Pocket® products. Gross sales of Wheels products decreased 8%, driven primarily by lower sales of Hot Wheels® products. Gross sales of Entertainment products increased 34%, driven primarily by increased sales of CARS® and Green Lantern® products, partially offset by lower sales of Toy Story® 3 products. Cost of sales increased 14% in the first half of 2011, as compared to a 14% increase in net sales, primarily due to higher product costs and royalty expense. Gross margin improvement was primarily due to price increases and favorable product mix, partially offset by higher product costs and royalty expense.

Mattel Girls & Boys Brands US segment income increased \$27.9 million, or 29%, from \$96.6 million in the first half of 2010 to \$124.5 million in 2011, driven primarily by higher sales and gross margin.

#### *Fisher-Price Brands US*

Fisher-Price Brands US gross sales were \$396.8 million in the first half of 2011, down \$10.3 million or 3%, as compared to \$407.1 million in 2010. Within this segment, gross sales of Core Fisher-Price® products increased 3%. Gross sales of Fisher-Price® Friends products decreased 24%, driven primarily by the discontinuation of the Sesame Street® license. Cost of sales were flat in the first half of 2011, as compared to a 4% decrease in net sales, primarily due to lower freight and logistics costs, offset by higher product costs. Gross margin decreased primarily due to higher product costs and unfavorable product mix, partially offset by lower freight and logistics costs.

Fisher-Price Brands US segment income decreased \$15.8 million, from \$33.0 million in the first half of 2010 to \$17.2 million in 2011, driven primarily by lower sales and gross margin.

#### *American Girl Brands*

American Girl Brands gross sales were \$139.4 million in the first half of 2011, up \$10.3 million or 8%, as compared to \$129.1 million in 2010, driven primarily by higher sales of Kanani™, the 2011 Girl of the Year® doll, and the new stores in Lone Tree, Colorado, Overland Park, Kansas, and McLean, Virginia, which opened in March 2010, September 2010, and June 2011, respectively. Cost of sales increased 7% in the first half of 2011, as compared to an 8% increase in net sales, primarily due to higher product costs and freight and logistics costs. Gross margin improvement was primarily due to price increases and favorable product mix, partially offset by higher product costs and freight and logistics costs.

American Girl Brands segment income increased \$2.7 million, from a loss of \$0.2 million in the first half of 2010 to income of \$2.5 million in 2011, driven primarily by higher sales and gross margin, partially offset by higher other selling and administrative expenses.

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### International

The following table provides a summary of percentage changes in gross sales within the International segment for the first half of 2011 versus 2010:

Non-US Regions:	% Change in	Impact of Change
	Gross Sales	in Currency (in % pts)
Total International	17	6
Europe	14	6
Latin America	23	9
Asia Pacific	20	8
Other	13	5

International gross sales were \$1.14 billion in the first half of 2011, up \$165.2 million or 17%, as compared to \$977.1 million in 2010, with favorable changes in currency exchange rates of 6 percentage points. Gross sales of Mattel Girls & Boys Brands increased 22%, with favorable changes in currency exchange rates of 7 percentage points. Gross sales of Barbie® products increased 21%, with favorable changes in currency exchange rates of 6 percentage points. Gross sales of Other Girls products increased 36%, with favorable changes in currency exchange rates of 6 percentage points, driven primarily by sales of Monster High™ products and higher sales of Disney Princess™ products, partially offset by lower sales of Polly Pocket® products. Gross sales of Wheels products increased 8%, with favorable changes in currency exchange rates of 6 percentage points, driven primarily by increased sales of Hot Wheels® products. Gross sales of Entertainment products increased 26%, with favorable changes in currency exchange rates of 9 percentage points, driven primarily by sales of CARS® and Green Lantern® products, partially offset by lower sales of Toy Story® 3 products. Gross sales of Fisher-Price Brands increased 6%, with favorable changes in currency exchange rates of 4 percentage points. Gross sales of Fisher-Price® Friends products increased 4%, with favorable changes in currency exchange rates of 6 percentage points, driven primarily by higher sales of Thomas and Friends® products, partially offset by the discontinuation of the Sesame Street® license. Cost of sales increased 17% in the first half of 2011, as compared to a 17% increase in net sales, primarily due to higher product costs and royalty expense. Gross margin decreased primarily due to higher product costs and royalty expense, partially offset by price increases.

International segment income increased \$44.3 million, or 41%, from \$107.3 million in the first half of 2010 to \$151.6 million in 2011, driven primarily by higher sales, partially offset by lower gross margin.

### Operational Excellence 2.0

The first phase of Mattel's cost savings program, Global Cost Leadership, delivered cumulative net savings of approximately \$212 million in 2009 and 2010, which equated to cumulative gross savings of \$225 million. During 2011, Mattel initiated the second phase of its cost savings program, Operational Excellence 2.0, which targets additional cumulative cost savings of approximately \$150 million by the end of 2012. The cost savings are expected to include a reduction of approximately \$75 million in legal costs, which will lower other selling and administrative expenses, and approximately \$75 million of structural cost savings executed through a handful of important initiatives, which will be reflected in gross profit, advertising and promotion expenses, and other selling and administrative expenses. The major initiatives within Mattel's Operational Excellence 2.0 program include:

- The creation of global brand teams and reorganization to a North America division,
- Additional procurement initiatives designed to fully leverage Mattel's global scale,
- SKU efficiency, and
- Packaging optimization.

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Mattel recognized Operational Excellence 2.0 gross savings of approximately \$9 million and \$14 million in the second quarter and first half of 2011, respectively. While some of the positive impact will be seen in 2011, Mattel expects to realize the majority of the \$150 million savings goal in 2012, given the timing of investment costs and timelines required to complete the initiatives.

### Income Taxes

Mattel's provision for income taxes was \$19.0 million in the first half of 2011, as compared to \$18.9 million for the first half of 2010. Mattel recognized discrete tax benefits of \$6.4 million and \$4.3 million during the first half of 2011 and 2010, respectively, primarily related to reassessments of prior years' tax liabilities based on the status of audits and tax filings in various jurisdictions, settlements, and enacted tax law changes.

During the first half of 2010, Mattel reached a resolution with the IRS regarding all open issues relating to the examination of Mattel's US federal income tax returns for the years 2006 and 2007. The resolution did not have a material impact on Mattel's consolidated financial statement for the first half of 2010.

During the normal course of business, Mattel is regularly audited by federal, state, and foreign tax authorities. The IRS is currently auditing Mattel's 2008 and 2009 federal income tax returns. The IRS audit plan calls for the completion of the current examination in the second quarter of 2012. At this time, there is insufficient information related to current IRS, state, and foreign audits to quantify any possible changes in the unrecognized tax benefits that may occur during the next twelve months.

### Liquidity and Capital Resources

Mattel's primary sources of liquidity are its cash and equivalents balances, access to short-term borrowing facilities, including Mattel's commercial paper program and its \$1.4 billion domestic unsecured committed revolving credit facility, and issuances of long-term debt securities. Cash flows from operating activities could be negatively impacted by decreased demand for Mattel's products, which could result from factors such as adverse economic conditions and changes in public and consumer preferences, or by increased costs associated with manufacturing and distribution of products or shortages in raw materials or component parts. Additionally, Mattel's ability to issue long-term debt and obtain seasonal financing could be adversely affected by factors such as global economic crises and tight credit environments, an inability to meet its debt covenant requirements, which include maintaining consolidated debt-to-earnings before interest, taxes, depreciation, and amortization ("EBITDA") and interest coverage ratios, or a deterioration of Mattel's credit ratings. Mattel's ability to conduct its operations could be negatively impacted should these or other adverse conditions affect its primary sources of liquidity.

#### *Current Market Conditions*

Mattel is exposed to financial market risk resulting from changes in interest and foreign currency rates. Mattel believes that it has ample liquidity to fund its business needs, including beginning of year cash and equivalents, cash flows from operations, and access to the commercial paper market and its \$1.4 billion domestic unsecured committed revolving credit facility, which the Company uses for seasonal working capital requirements. As of June 30, 2011, Mattel had available incremental borrowing resources totaling \$1.4 billion under its domestic unsecured committed revolving credit facility, and Mattel has not experienced any limitations on its ability to access this source of liquidity. Market conditions could affect certain terms of other debt instruments that Mattel enters into from time to time.

Mattel monitors the third-party depository institutions that hold the company's cash and equivalents. Mattel's emphasis is primarily on safety and liquidity of principal, and secondarily on maximizing the yield on those funds. Mattel diversifies its cash and equivalents among counterparties and securities to minimize risks.

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Mattel is subject to credit risks relating to the ability of its counterparties of hedging transactions to meet their contractual payment obligations. The risks related to creditworthiness and nonperformance have been considered in the fair value measurements of Mattel's foreign currency forward exchange contracts. Mattel closely monitors its counterparties and takes action, as necessary, to manage its counterparty credit risk.

Mattel expects that some of its customers and vendors may experience difficulty in obtaining the liquidity required to buy inventory or raw materials. Mattel monitors its customers' financial condition and their liquidity in order to mitigate Mattel's accounts receivable collectibility risks, and customer terms and credit limits are adjusted, if necessary. Additionally, Mattel uses a variety of financial arrangements to ensure collectibility of accounts receivable of customers deemed to be a credit risk, including requiring letters of credit, factoring or purchasing various forms of credit insurance with unrelated third parties, or requiring cash in advance of shipment.

Mattel sponsors defined benefit pension plans and postretirement benefit plans for its employees. Actual returns below the expected rate of return, along with changes in interest rates that affect the measurement of the liability, would impact the amount and timing of Mattel's future contributions to these plans.

### *Capital and Investment Framework*

To guide future capital deployment decisions, with a goal of maximizing stockholder value, Mattel's Board of Directors in 2003 established the following capital and investment framework:

- To maintain approximately \$800 million to \$1 billion in year-end cash available to fund a substantial portion of seasonal working capital;
- To maintain a year-end debt-to-capital ratio of about 25%;
- To invest approximately \$180 million to \$200 million in capital expenditures annually to maintain and grow the business;
- To make strategic opportunistic acquisitions; and
- To return excess funds to stockholders through dividends and share repurchases.

Over the long term, assuming cash flows from operating activities remain strong, Mattel plans to use its free cash flows to invest in strategic acquisitions and to return funds to stockholders through cash dividends and share repurchases. Mattel's share repurchase program has no expiration date and repurchases will take place from time to time, depending on market conditions. The ability to successfully implement the capital deployment plan is directly dependent on Mattel's ability to generate strong cash flows from operating activities. There is no assurance that Mattel will continue to generate strong cash flows from operating activities or achieve its targeted goals for investing activities.

### *Operating Activities*

Cash flows used for operating activities were \$226.8 million in the first half of 2011, as compared to \$372.1 million in 2010. The decrease in cash flows used for operating activities was primarily due to the collection of \$300.0 million of domestic receivables not factored in 2010 and higher net income, partially offset by higher working capital usage.

### *Investing Activities*

Cash flows used for investing activities were \$44.4 million in the first half of 2011, as compared to \$97.3 million in 2010. The decrease in cash flows used for investing activities was primarily due to higher net proceeds received relating to settled foreign currency forward exchange contracts, partially offset by higher purchases of other property, plant, and equipment and tools, dies, and molds.

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### *Financing Activities*

Cash flows used for financing activities were \$600.8 million in the first half of 2011, as compared to \$99.1 million in 2010. The increase in cash flows used for financing activities was primarily due to the \$200.0 million repayment of 2006 Senior Notes, higher share repurchases, and dividend payments made during the first half of 2011, partially offset by higher proceeds from the exercise of stock options.

### *Seasonal Financing*

Mattel maintains and periodically amends or replaces its domestic unsecured committed revolving credit facility with a commercial bank group that is used as a back-up facility to Mattel's commercial paper program, which is used as the primary source of financing for the seasonal working capital requirements of its domestic subsidiaries. The revolving credit facility was amended and restated on March 8, 2011 to, among other things, (i) extend the maturity date of the credit facility to March 8, 2015, (ii) increase aggregate commitments under the credit facility to \$1.4 billion, with an "accordion feature," which allows Mattel to increase the aggregate availability under the credit facility to \$1.6 billion under certain circumstances, (iii) decrease the applicable interest rate margins to a range of 0.25% to 1.50% above the applicable base rate for base rate loans, and 1.25% to 2.50% above the applicable London Interbank Borrowing Rate for Eurodollar rate loans, in each case depending on Mattel's senior unsecured long-term debt rating, and (iv) decrease commitment fees to a range of 0.15% to 0.40% of the unused commitments under the credit facility.

In connection with the execution of the amendment of the domestic unsecured revolving credit facility, Mattel terminated its \$300.0 million domestic receivables sales facility, which was a sub-facility of the domestic unsecured committed revolving credit facility.

Mattel is required to meet financial covenants at the end of each quarter and fiscal year, using the formulae specified in the credit facility agreement to calculate the ratios. Mattel was in compliance with such covenants at the end of the six months ended June 30, 2011. As of June 30, 2011, Mattel's consolidated debt-to-EBITDA ratio, as calculated per the terms of the credit agreement, was 0.9 to 1 (compared to a maximum allowed of 3.0 to 1) and Mattel's interest coverage ratio was 14.9 to 1 (compared to a minimum required of 3.50 to 1).

The domestic unsecured committed revolving credit facility is a material agreement and failure to comply with the financial covenant ratios may result in an event of default under the terms of the facility. If Mattel defaulted under the terms of the domestic unsecured committed revolving credit facility, its ability to meet its seasonal financing requirements could be adversely affected.

To finance seasonal working capital requirements of certain foreign subsidiaries, Mattel avails itself of individual short-term credit lines with a number of banks. Mattel expects to extend the majority of these credit lines throughout 2011.

In May 2011, a major credit rating agency changed Mattel's long-term credit rating from BBB+ to A-, and maintained its short-term credit rating of F-2 and outlook at stable. In April 2011, another major credit rating agency changed Mattel's long-term credit rating from BBB to BBB+, and maintained its short-term credit rating of A-2 and outlook at stable. Additionally, in April 2011, a major credit rating agency changed Mattel's long-term credit rating from Baa2 to Baa1, and maintained its short-term credit rating of P-2 and outlook at stable.

Mattel believes its cash on hand, amounts available under its domestic unsecured committed revolving credit facility, and its foreign credit lines will be adequate to meet its seasonal financing requirements in 2011.

### *Financial Position*

Mattel's cash and equivalents decreased by \$862.6 million to \$418.5 million at June 30, 2011, as compared to December 31, 2010. The decrease was driven by seasonal increases in working capital usage, \$251.9 million of share repurchases, repayment of \$200.0 million of 2006 Senior Notes and \$40.0 million of Medium-term notes, and \$159.9 million of dividend payments made in the first half of 2011.

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Accounts receivable increased by \$206.9 million to \$1.0 billion at June 30, 2011, as compared to June 30, 2010, primarily due to higher sales, a shift in the timing of sales to later in the quarter, and a shift in sales mix to countries with longer sales terms.

Inventories increased by \$185.9 million to \$783.5 million at June 30, 2011, as compared to June 30, 2010, primarily due to low 2010 inventory levels, higher product costs, the need to improve customer service, and the need to build inventory to support growth and the theatrical releases of key entertainment properties.

Accounts payable and accrued liabilities decreased by \$177.4 million to \$871.1 million at June 30, 2011, as compared to December 31, 2010. The decrease was driven primarily by the timing and amount of payments for various liabilities, including incentive compensation, taxes other than income taxes, advertising, and royalties.

The current portion of long-term debt decreased \$240.0 million to \$10.0 million at June 30, 2011, as compared to \$250.0 million at December 31, 2010 due to the repayment of \$200.0 million of the 2006 Senior Notes and \$40.0 million of Medium-term notes.

A summary of Mattel's capitalization is as follows:

	June 30, 2011		June 30, 2010		December 31, 2010	
	(In millions, except percentage information)					
Medium-term notes	\$ 100.0	3%	\$ 110.0	3%	\$ 100.0	2%
2008 Senior Notes	350.0	9	350.0	10	350.0	9
2010 Senior Notes	500.0	13	—	—	500.0	12
Total noncurrent long-term debt	950.0	25	460.0	13	950.0	23
Other noncurrent liabilities	482.2	12	481.0	14	488.9	12
Stockholders' equity	2,466.9	63	2,507.0	73	2,628.6	65
	<u>\$3,899.1</u>	<u>100%</u>	<u>\$3,448.0</u>	<u>100%</u>	<u>\$4,067.5</u>	<u>100%</u>

Total noncurrent long-term debt totaled \$950.0 million at June 30, 2011 and December 31, 2010. Total noncurrent long-term debt increased \$490.0 million at June 30, 2011, as compared to June 30, 2010, due primarily to the \$500.0 million issuance of senior notes in September 2010, partially offset by the reclassification of \$10.0 million of Medium-term notes to current. Mattel expects to satisfy its future long-term capital needs through the generation of corporate earnings and issuance of long-term debt instruments, as needed.

Stockholders' equity of \$2.47 billion decreased \$40.1 million from June 30, 2010, primarily as a result of share repurchases, Mattel's 2010 annual dividend payment in the fourth quarter of 2010, and dividend payments made in the first half of 2011, partially offset by the impact of foreign currency translation adjustments and net income. Stockholders' equity decreased by \$161.7 million from December 31, 2010, primarily as a result of share repurchases and dividend payments made in the first half of 2011, partially offset by the impact of foreign currency translation adjustments and net income.

Mattel's debt-to-total-capital ratio, including short-term borrowings and current portion of long-term debt, increased from 22.1% at June 30, 2010 to 28.0% at June 30, 2011 due primarily to the \$500.0 million issuance of senior notes in September 2010. Mattel's objective is to maintain a year-end debt-to-capital ratio of approximately 25%.

## Litigation

See Part II, Item 1 "Legal Proceedings."

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### Application of Critical Accounting Policies and Estimates

Mattel's critical accounting policies and estimates are included in its Annual Report on Form 10-K for the year ended December 31, 2010, and did not change during the first half of 2011.

### New Accounting Pronouncements

See Item 1 "Financial Statements—Note 24 to the Consolidated Financial Statements—New Accounting Pronouncements."

### Non-GAAP Financial Measure

In this Quarterly Report on Form 10-Q, Mattel includes a non-GAAP financial measure, gross sales, which it uses to analyze its continuing operations and to monitor, assess and identify meaningful trends in its operating and financial performance. Net sales, as reported in the consolidated statements of operations, include the impact of sales adjustments, such as trade discounts and other allowances. Gross sales represent sales to customers, excluding the impact of sales adjustments.

Consistent with its segment reporting, Mattel presents changes in gross sales as a metric for comparing its aggregate, business unit, 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. A reconciliation of gross sales to the most directly comparable GAAP financial measure, net sales, is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(In thousands)			
<b>Revenues</b>				
Domestic:				
Mattel Girls & Boys Brands US	\$ 323,062	\$ 289,733	\$ 626,827	\$ 549,039
Fisher-Price Brands US	224,129	223,853	396,788	407,102
American Girl Brands	66,438	58,880	139,392	129,086
Total Domestic	613,629	572,466	1,163,007	1,085,227
International	650,527	529,579	1,142,258	977,092
Gross sales	1,264,156	1,102,045	2,305,265	2,062,319
Sales adjustments	(102,489)	(83,542)	(191,742)	(163,734)
Net sales	<u>\$1,161,667</u>	<u>\$1,018,503</u>	<u>\$2,113,523</u>	<u>\$1,898,585</u>

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

#### Foreign Currency Exchange Rate Risk

Currency exchange rate fluctuations may impact Mattel's results of operations and cash flows. Inventory purchase and sale transactions denominated in the Euro, British pound sterling, and Mexican peso were the primary transactions that caused foreign currency transaction exposure for Mattel. Mattel seeks to mitigate its exposure to market risk by monitoring its currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts primarily to hedge its purchase and sale of inventory, and other intercompany transactions denominated in foreign currencies. These contracts generally have maturity dates of up to 18 months. For those intercompany receivables and payables that are not hedged, the transaction gains or losses are recorded in the consolidated statement of operations in the period in which the exchange rate changes as part of operating income or other non-operating (income) expense, net based on the

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nature of the underlying transaction. Transaction gains or losses on hedged intercompany inventory transactions are recorded in the consolidated statement of operations in the period in which the inventory is sold to customers. In addition, Mattel manages its exposure to currency exchange rate fluctuations through the selection of currencies used for international borrowings. Mattel does not trade in financial instruments for speculative purposes.

Mattel's financial position is also impacted by currency exchange rate fluctuations on translation of its net investment in subsidiaries with non-US dollar functional currencies. Assets and liabilities of subsidiaries with non-US dollar functional currencies are translated into US dollars at fiscal period-end exchange rates. Income, expense, and cash flow items are translated at weighted average exchange rates prevailing during the fiscal year. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive loss within stockholders' equity. Mattel's primary currency translation exposures for the first half of 2011 were related to its net investment in entities having functional currencies denominated in the Euro, Mexican peso, Brazilian real, and British pound sterling.

There are numerous factors impacting the amount by which Mattel's financial results are affected by foreign currency translation and transaction gains and losses resulting from changes in currency exchange rates, including, but not limited to, the level of foreign currency forward exchange contracts in place at a given time and the volume of foreign currency denominated transactions in a given period. However, assuming that such factors were held constant, Mattel estimates that a 1 percent change in the US dollar Trade-Weighted Index would impact Mattel's net sales by approximately 0.5% and its full year earnings per share by approximately \$0.01 to \$0.02.

### **Item 4. Controls and Procedures.**

#### *Evaluation of Disclosure Controls and Procedures*

As of June 30, 2011, Mattel's disclosure controls and procedures were evaluated to provide reasonable assurance that information required to be disclosed by Mattel in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to management, as appropriate, in a timely manner that would alert them to material information relating to Mattel that would be required to be included in Mattel's periodic reports and to provide reasonable assurance that such information was recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. Based on this evaluation, Robert A. Eckert, Mattel's principal executive officer, and Kevin M. Farr, Mattel's principal financial officer, concluded that these disclosure controls and procedures were effective as of June 30, 2011.

#### *Changes in Internal Control Over Financial Reporting*

Mattel made no changes to its internal control over financial reporting or in other factors that materially affected, or were reasonably likely to have materially affected, its internal control over financial reporting during the quarter ended June 30, 2011.

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The content of Note 22, “Contingencies” to the Consolidated Financial Statements of Mattel in Part I of this Quarterly Report on Form 10-Q is hereby incorporated by reference in its entirety in this Item 1.

**Item 1A. Risk Factors.**

There have been no material changes to the risk factors disclosed under Part I, Item 1A. “Risk Factors” in Mattel’s 2010 Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

*Recent Sales of Unregistered Securities*

During the second quarter of 2011, Mattel did not sell any unregistered securities.

*Issuer Purchases of Equity Securities*

This table provides certain information with respect to Mattel’s purchases of its common stock during the second quarter of 2011:

Period	Total Number of	Average Price Paid	Total Number of Shares	Maximum Number (or
	Shares (or Units)		(or Units) Purchased as	Approximate Dollar Value)
	Purchased	per Share (or Unit)	Part of Publicly	of Shares (or Units) that
			Announced Plans or	May Yet Be Purchased
			Programs	Under the Plans or
				Programs
April 1—30				
Repurchase program (1)	1,582,207	\$ 25.62	1,582,207	\$ 322,941,467
Employee transactions (2)	4,543	25.77	N/A	N/A
May 1—31				
Repurchase program (1)	1,873,600	26.54	1,873,600	273,221,429
Employee transactions (2)	5,883	26.36	N/A	N/A
June 1—30				
Repurchase program (1)	2,349,641	26.16	2,349,641	211,755,747
Employee transactions (2)	810	25.87	N/A	N/A
Total				
Repurchase program (1)	5,805,448	\$ 26.13	5,805,448	\$ 211,755,747
Employee transactions (2)	11,236	26.08	N/A	N/A

(1) Repurchases will take place from time to time, depending on market conditions. Mattel’s share repurchase program has no expiration date.

(2) Includes the sale of restricted shares for employee tax withholding obligations that occur upon vesting.

N/A Not applicable.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 5. Other Information.**

None.

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### Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
3.1*	Amended and Restated Bylaws of Mattel, Inc.
12.0*	Computation of Earnings to Fixed Charges
31.0*	Certification of Principal Executive Officer dated July 20, 2011 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.1*	Certification of Principal Financial Officer dated July 20, 2011 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.0**	Certification of Principal Executive Officer and Principal Financial Officer dated July 20, 2011 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

\* *Filed herewith.*

\*\* *Furnished herewith.*

(1) *This exhibit should not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934.*



## MATTEL, INC.

## AMENDED AND RESTATED BYLAWS

## ARTICLE I – STOCKHOLDERS

Section 1. Annual Meeting.

An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 2. Special Meetings.

Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, (i) may be called by the Board of Directors or the Chief Executive Officer, and (ii) shall be called by the Chairman of the Board or the Secretary of the corporation at the written request in proper form of one or more stockholders of the corporation that together have continuously held, for their own account or on behalf of others, beneficial ownership of at least a fifteen (15) percent aggregate net long position in the issued and outstanding voting stock of the corporation entitled to vote generally for the election of directors (the “requisite percent”) for at least one year prior to the date such request is delivered to the corporation. For purposes of determining the requisite percent, “net long position” shall be determined with respect to each requesting stockholder in accordance with the definition thereof set forth in Rule 14e-4 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provided that (i) for the purposes of such definition, reference in such Rule to (A) “the date the tender offer is first publicly announced or otherwise made known by the bidder to the holders of the security to be acquired” shall be the date of the relevant special meeting request, (B) the “highest tender offer price or stated amount of the consideration offered for the subject security” shall refer to the closing sales price of the corporation’s common stock on the NASDAQ on such date (or, if such date is not a trading day, the next succeeding trading day), (C) the “person whose securities are the subject of the offer” shall refer to the corporation, (D) a “subject security” shall refer to the issued and outstanding voting stock of the corporation; and (ii) the net long position of such stockholder shall be reduced by the number of shares as to which such stockholder does not, or will not, have the right to vote or direct the vote at the special meeting or as to which such stockholder has entered into any derivative or other agreement, arrangement or understanding that hedges or transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such shares. Whether the requesting stockholders have complied with the requirements of this paragraph and related provisions of the Bylaws shall be determined in good faith by the Board of Directors, which determination shall be conclusive and binding on the corporation and the stockholders.

In order for a special meeting upon stockholder request (a “stockholder requested special meeting”) to be called, one or more requests for a special meeting (each, a “special meeting request,” and collectively, the “special meeting requests”) must be signed by the stockholders of the corporation (or their duly authorized agents) holding the requisite percent of the voting stock of the corporation and must be delivered to the Secretary at the principal executive offices of the corporation by registered mail, return receipt requested; provided, however, that no stockholder requested special meeting shall be called pursuant to any special meeting request unless one or more special meeting requests relating to such meeting constituting the requisite percent have been delivered to the Secretary in compliance with all of the requirements of this Section 2 within sixty (60) days of the earliest dated special meeting request in respect of such stockholder requested special meeting. The special meeting request(s) shall (i) set forth the name and address, as they appear on the corporation’s books, of each stockholder of the corporation signing such request (or on whose behalf such request is signed) and the beneficial owners, if any, on whose behalf such request is made, (ii) state the specific purpose or purposes of the special meeting, the matter or matters proposed to be acted on at the special meeting, the reasons for conducting such business at the special meeting, and the text of any proposal or business to be considered at the special meeting (including the text of any resolutions proposed to be considered and, in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), (iii) bear the date of signature of each such stockholder (or duly authorized agent) signing the special meeting request, (iv) provide documentary evidence that the stockholder(s) requesting the special meeting own the requisite percent as of the date on which the special meeting request(s) constituting the requisite percent are delivered to the Secretary; provided, however, that if any requesting stockholder is not the beneficial owner of shares constituting all or part of the requisite percent, then to be valid, the special meeting request(s) must also include documentary evidence that the beneficial owners on whose behalf the special meeting request(s) are made beneficially own such shares as of the date on which the special meeting request(s) constituting the requisite percent are delivered to the Secretary (v) provide a representation by each stockholder signing the special meeting request that such stockholder intends to appear in person or by proxy at the stockholder requested special meeting and is entitled to vote thereon, and (vi) include any additional information required by ARTICLE I, Section 9 (for any proposal or business to be considered at the special meeting) or ARTICLE I, Section 10 (for nominations of persons for election to the Board of Directors) hereof. Any requesting stockholder may revoke its special meeting request at any time by written revocation delivered to the Secretary at the principal executive offices of the corporation.

In the event of the delivery, in the manner provided in the previous paragraph, to the corporation of the requisite special meeting request or requests and/or any related revocation or revocations, the corporation may engage nationally recognized independent inspectors for the purpose of promptly performing a ministerial review of the validity of the requests and revocations. For the purpose of permitting the inspectors to perform such review, no special meeting request shall be granted until such date as the independent inspectors certify to the corporation that the requests delivered to the corporation in accordance with this Section 2, and not revoked, represent at least the minimum number of shares held for the minimum amount of time to call such a stockholder requested special meeting. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any request or revocation thereof, whether before or

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after such certification by the independent inspectors, or take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Except as provided in the next sentence, any special meeting shall be held at such date and time as may be fixed by the Board of Directors in accordance with these Bylaws and in compliance with the Delaware General Corporation Law. In the case of a stockholder requested special meeting, such meeting shall be held at such date, time and place as shall be provided in the notice of such meeting, and the record date for stockholders entitled to notice of and to vote at such meeting shall be determined in accordance with ARTICLE V, Section 3 hereof; provided that, except as otherwise provided herein or unless a later date is required in order to allow the corporation to file the information required under Item 8 (or any comparable or successor provision) of Schedule 14A under the Exchange Act, if applicable, the date of any stockholder requested special meeting shall be not more than ninety (90) days after (i) the determination of the validity of the special meeting request(s) by the independent inspectors in the manner provided in the previous paragraph or (ii) if no such independent inspectors are engaged to review the validity of one or more special meeting requests, not more than ninety (90) days after the special meeting request(s) constituting the requisite percent have been delivered to or received by the Secretary.

Business transacted at any stockholder requested special meeting shall be limited to the purpose(s) stated in the valid special meeting request(s) signed by stockholders holding the requisite percent of the corporation's voting stock; provided, however, that nothing herein shall prohibit the Board of Directors from submitting matters, whether or not described in the stockholder special meeting request(s), to the stockholders at any stockholder requested special meeting. If none of the stockholders who submitted a special meeting request appears at or sends a qualified representative to the stockholder requested special meeting to present the matters to be presented for consideration that were specified in the special meeting request, the corporation need not present such matters for a vote at such meeting.

Except as otherwise provided by law, in the case of a stockholder requested special meeting, the chairman of the meeting shall have the power and duty (i) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2, and (ii) if any proposed nomination or business was not made or proposed in compliance with this Section 2 or the stated business to be brought before the special meeting is a not a proper subject for stockholder action under applicable law, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. In addition, a special meeting requested by stockholders shall not be held if the Board of Directors has called or calls for an annual meeting of stockholders to be held within ninety (90) days after the special meeting request(s) constituting the requisite percent have been delivered to or received by the Secretary and the Board of Directors determines in good faith that the business of such annual meeting includes (among any other matters properly brought before the annual meeting) the business specified in such special meeting request. The Board of Directors, in its discretion, also may cancel a special meeting (or, if the special meeting has not yet been called, may direct the Chairman of the Board or the Secretary of the corporation not to call such a meeting) if, at any time after receipt by the Secretary of the corporation of a proper special meeting request, there are no longer valid special

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meeting requests from stockholders holding in the aggregate at least the requisite percent, whether because of revoked requests or otherwise.

Section 3. Notice of Meetings.

Written notice of the place, date, and time of all meetings of the stockholders, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held to each stockholder entitled to vote at such meeting, except as otherwise provided herein, in the Certificate of Incorporation or required by law.

When a meeting is adjourned to another place, date, or time, written notice need not be given of the adjourned meeting if the place, date, and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Except as otherwise required by law, any previously scheduled annual meeting of the stockholders, and (unless the Certificate of Incorporation otherwise provides) any special meeting of the stockholders, may be postponed, rescheduled or cancelled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Section 4. Quorum.

At any meeting of the stockholders, the holders of a majority of the voting power of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of the stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

The chairman of the meeting may adjourn any annual or special meeting from time to time, whether or not there is a quorum.

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If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

#### Section 5. Organization.

Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his or her absence by the Chief Executive Officer, or in his or her absence by the President of the corporation, or in his or her absence by a President of a business unit of the corporation, or in his or her absence by the Chief Financial Officer of the corporation, or in his or her absence by a Vice President of the corporation, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

#### Section 6. Conduct of Business.

The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The chairman of the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such chairman should so determine, such chairman shall so declare to the meeting, and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the chairman of the

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meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 7. Proxies and Voting.

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy in accordance with the procedure established for the meeting.

Each holder of common stock shall have one vote for every share of common stock entitled to vote which is registered in his name on the record date for the meeting, except as otherwise provided herein or required by law. In an uncontested election of directors, each nominee to be elected by stockholders shall be elected by the vote of the majority of the votes cast at any meeting for the election of directors at which a quorum is present. For purposes of this Bylaw, a majority of votes cast shall mean that the number of votes cast "for" a nominee's election exceeds the number of votes cast "against" such nominee's election. Votes cast shall include votes "for" and "against" a nominee and exclude abstentions with respect to that nominee's election. In cases where, as of the tenth (10<sup>th</sup>) day preceding the date the corporation first mails its notice of meeting for such meeting of stockholders, the number of nominees exceeds the number of directors to be elected, each nominee to be elected by stockholders shall be elected by the vote of a plurality of the votes cast at any meeting for the election of directors at which a quorum is present.

All voting in person at the meeting, except for the election of directors and where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballots shall be counted by an inspector or inspectors appointed in accordance with ARTICLE I, Section 13 of these Bylaws.

All questions and other matters submitted to the stockholders (other than the election of directors) shall be determined by a majority of the votes cast, unless otherwise provided by the Certificate of Incorporation, these Bylaws or applicable law or, in the determination of the Board of Directors, the rules or regulations of any stock exchange applicable to the corporation or pursuant to any regulation applicable to the corporation or its securities.

Section 8. Stock List.

The officer who has charge of the stock ledger shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth (10<sup>th</sup>) day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least ten (10) days prior to the meeting (i)

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on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the corporation. The list of stockholders must also be open to examination at the meeting as required by applicable law. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section or to vote in person or by proxy at any meeting of stockholders.

#### Section 9. Business Brought Before the Meeting.

At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting or any adjournment thereof (i) by or at the direction of the Board of Directors or any committee thereof, (ii) pursuant to the corporation's notice of meeting (or any supplement thereto) or (iii) by any stockholder of the corporation who was a stockholder of record of the corporation at the time the notice provided for in this Section 9 is delivered to the Secretary of the corporation, who is entitled to vote with respect thereto and who complies with the notice procedures set forth in this Section 9. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation and any such proposed business must constitute a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered or mailed to and received at the principal executive offices of the corporation not later than the close of business on the 90<sup>th</sup> day nor earlier than the 120<sup>th</sup> day prior to the anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> day following the day on which Public Announcement of the date of such meeting is first made by the corporation. In no event shall the Public Announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. ("Public Announcement" means disclosure in a press release, national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act).

A stockholder's notice to the Secretary shall set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend, or request the amendment of, the bylaws or Certificate of Incorporation of the corporation, the language of the proposed amendment), the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, and beneficial owner, if any, on whose behalf the proposal is made, (iii) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder, (iv) (A) the class or series and number of shares of the corporation's capital stock that are, directly or indirectly, owned beneficially and of record by such stockholder, such

beneficial owner and their respective affiliates or associates or others acting in concert therewith, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the corporation, through the delivery of cash or other property, or otherwise, and without regard to whether the stockholder of record, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation (any of the foregoing, a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any class or series of shares of the corporation, (D) any agreement, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, involving such stockholder, directly or indirectly, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such stockholder with respect to any class or series of the shares of the corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the corporation (any of the foregoing, a "Short Interest"), (E) any rights to dividends on the shares of the corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the corporation, (F) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (G) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, including without limitation any such interests held by members of such stockholder's immediate family sharing the same household, (H) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the corporation held by such stockholder, and (I) any direct or indirect interest of such stockholder in any contract with the corporation, any affiliate of the corporation or any principal competitor of the corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (v) any material interest of such stockholder and beneficial owner, if any, on whose behalf the proposal is made, in such business, and (vi) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or

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form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal and/or (b) otherwise to solicit proxies or votes from stockholders in support of such proposal; provided, however, that compliance by such stockholder with the notice provisions and other requirements in this Section 9 shall not create a duty of the corporation to include such stockholder's business or proposal in the corporation's proxy statement or proxy, and notwithstanding such compliance the corporation shall retain such discretion as it has to omit such business or proposal from such proxy statement or proxy or both.

In addition, to be considered timely, a stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for determining stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for determining stockholders entitled to vote at the meeting in the case of the update and supplement required to be made as of the record date for determining stockholders entitled to vote at the meeting, and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof.

No business shall be brought before or conducted at an annual meeting (i) except in accordance with the provisions of this Section 9 or (ii) if the stockholder or beneficial owner, if any, on whose behalf the proposal is made solicited (or is part of a group which solicited) proxies or votes in support of such stockholder's proposal in contravention of such stockholder's representation as required by clause (vi) of the second paragraph of this Section 9. The officer of the corporation or other person presiding over the annual meeting shall have the power and duty, if the facts so warrant, to determine and declare to the meeting that business was not properly brought before the meeting or any adjournment thereof in accordance with the provisions of this Section 9 and, if he or she should so determine, he or she shall so declare to the meeting and any such business so determined to be not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 9, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Section 9, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

At any special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors or the Chief Executive Officer, or by the Chairman of the Board or the Secretary pursuant to a stockholder's request in the case of a stockholder requested special meeting.

Notwithstanding the foregoing provisions of this Section 9, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 9; provided, however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any separate and additional requirements set forth in this Section 9 applicable to proposals as to any business to be considered pursuant to this Section 9 (other than business properly brought under Rule 14a-8 under the Exchange Act). Compliance with this Section 9 shall be the exclusive means for a stockholder to submit business (other than as provided in the next sentence and included in the corporation's notice of meeting). This Section 9 shall not apply to (i) nominations of persons for election to the Board of Directors, which is specifically addressed in Section 10, or (ii) any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 10. Nomination for Election to Board.

Only persons who are properly nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders or any adjournment thereof (i) by or at the direction of the Board of Directors or any committee thereof, (ii) pursuant to the corporation's notice of meeting (or any supplement thereto), or (iii) by any stockholder of the corporation who was a stockholder of record of the corporation at the time the notice provided for in this Section 10 is delivered to the Secretary of the corporation, who is entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section 10. Such stockholder nominations shall be made pursuant to timely and complete notice in writing to the Secretary of the corporation. For elections at an annual meeting, to be timely, a stockholder's notice must be delivered or mailed to and received at the principal executive offices of the corporation not later than the close of business on the 90<sup>th</sup> day nor earlier than the 120<sup>th</sup> day prior to the anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> day following the day on which Public Announcement ("Public Announcement" is defined in Section 9 herein) of the date of such meeting is first made by the corporation. In the event the corporation calls a special meeting of the stockholders, or the Chairman of the Board or the Secretary calls a stockholder requested special meeting, for the purpose of electing one or more directors to the Board of Directors, a stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice shall be delivered or mailed to and received at the principal executive offices of the corporation not earlier than the close of business on the 120<sup>th</sup> day prior to such special meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such meeting or the 10<sup>th</sup> day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the Public Announcement of an adjournment or postponement of an annual or special meeting

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commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

Such stockholder's notice shall (a) set forth, as to each person whom such stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the corporation which are owned directly or beneficially by such person, (iv) a statement as to such person's citizenship, (v) such person's written consent to serve as a director if elected, (vi) all other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (vii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; (b) set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, if any, (ii) the information required in subsections (iv)(A) through (iv)(I) of the second paragraph of ARTICLE I, Section 9, (iii) a representation (A) that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination and (B) as to whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such nomination, and (iv) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act ("Exchange Act" is defined in Article I, Section 2); and (c) with respect to each nominee for election or reelection to the Board of Directors, includes the completed and signed questionnaire, representation and agreement required by this Section 10 (as described below). The corporation may require any proposed nominee to furnish such other information as the corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the corporation. Compliance by a stockholder with the notice provisions and other requirements in this Section 10 shall not create a duty of the corporation to include the stockholder's nominee in the corporation's proxy statement or proxy if the stockholder's nominee is not nominated by the Board of Directors, and the corporation shall retain any discretion it has to omit the nominee from the corporation's proxy statement and proxy.

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In addition, to be considered timely, a stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for determining stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for determining stockholders entitled to vote at the meeting in the case of the update and supplement required to be made as of the record date for determining stockholders entitled to vote at the meeting, and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof.

To be eligible to be a nominee for election or reelection as a director of the corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 10) to the Secretary at the principal executive offices of the corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (A) will abide by the requirements pertaining to directors in these Bylaws, (B) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the corporation, with such person's fiduciary duties under applicable law, (C) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, (D) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the corporation, and will comply with the provisions of the corporation's Board of Directors Amended and Restated Guidelines on Corporate Governance and the corporation's Code of Conduct that apply to directors of the corporation, and (E) will abide by the requirements of ARTICLE II, Section 3 of these Bylaws.

Notwithstanding anything in this Section 10 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation at the annual meeting is increased effective after the time period for which nominations would otherwise be due under the first paragraph of this Section 10 and there is no Public Announcement by the corporation naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 10 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10<sup>th</sup>) day following the day on which such Public Announcement is first made by the corporation.

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Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, no person shall be eligible for election as a director of the corporation at an annual or special meeting of stockholders of the corporation unless nominated in accordance with the provisions of this Section 10. The officer of the corporation or other person presiding at the meeting shall have the power and duty, if the facts so warrant, to determine and declare to the meeting that a nomination made at the meeting or any adjournment thereof was not made in accordance with the provisions of this Section 10, with law or rules applicable to the meeting, or whether the stockholder or beneficial owner, if any, on whose behalf the nomination is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies or votes in support of such stockholder's nominee in compliance with such stockholder's representation as required by clause (b)(iii) of this Section 10, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 10, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Section 10, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

Notwithstanding the foregoing provisions of this Section 10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 10; provided, however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations to be considered pursuant to this Section 10 (and compliance with this Section 10 shall be the exclusive means for a stockholder to make nominations). Nothing in this Section 10 shall be deemed to affect any rights (a) of stockholders to request inclusion of nominations in the corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act or (b) of the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the certificate of incorporation.

#### Section 11. Inspectors of Written Consent.

In the event of the delivery, in the manner provided by ARTICLE V, Section 3(b), to the corporation of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the corporation shall engage nationally recognized independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the corporation that the consents delivered to the corporation in accordance with ARTICLE V, Section 3 (b) represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this

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paragraph shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Section 12. Effectiveness of Written Consent.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date the earliest dated written consent was received in accordance with ARTICLE V, Section 3(b), a written consent or consents signed by a sufficient number of holders to take such action are delivered to the corporation in the manner prescribed in ARTICLE V, Section 3(b) and applicable law, and not revoked.

Section 13. Inspector of Elections.

The corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

## **ARTICLE II – BOARD OF DIRECTORS**

Section 1. Number and Term of Office.

The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Each director shall hold office until the annual meeting of stockholders next succeeding his election and until his successor is elected and qualified, except as otherwise provided herein or required by law.

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The Chairman of the Board of Directors, if there be one, shall be a director and shall serve as Chairman of the Board of Directors at the pleasure of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as may from time to time be assigned by these Bylaws or by the Board of Directors. If there shall be no Chairman of the Board of Directors, the Board may designate a director to act in place of a Chairman of the Board of Directors for any purpose.

Whenever the authorized number of directors is increased between annual meetings of the stockholders, a majority of the directors then in office shall have the sole power to elect such new directors for the balance of a term and until their successors are elected and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office unless, at the time of such decrease, there shall be vacancies on the board which are being eliminated by the decrease.

#### Section 2. Vacancies.

Unless otherwise provided by law or the Certificate of Incorporation, if the office of any director becomes vacant by reason of death, resignation, disqualification, removal or other cause, such vacancy may be filled solely by a majority of the directors remaining in office, although less than a quorum, and the director elected to fill such vacancy shall serve for the unexpired portion of his predecessor's term and until his successor is elected and qualified.

#### Section 3. Resignation.

If a nominee for director who is an incumbent director is not elected at a meeting of stockholders at which directors are elected by a majority of the votes cast and no successor has been elected at such meeting, the director shall tender his or her resignation to the Board of Directors promptly following the certification of the election results by the inspector of elections. The Governance and Social Responsibility Committee shall make a recommendation to the Board of Directors as to whether or not to accept the tendered resignation. The Board of Directors shall make the decision as to whether or not to accept the tendered resignation, taking into account the Governance and Social Responsibility Committee's recommendation. The Board's decision regarding the tendered resignation, and the rationale behind the decision, shall be disclosed in a Public Announcement (as defined in ARTICLE I, Section 9) within 90 days from the date of the certification of the election results by the inspector of elections. The Governance and Social Responsibility Committee in making its recommendation, and the Board of Directors in making the decision, may consider any factors or other information that they consider appropriate and relevant. The director who tenders his or her resignation shall not participate in the recommendation of the Governance and Social Responsibility Committee or the decision of the Board of Directors with respect to his or her resignation. If such incumbent director's resignation is not accepted by the Board of Directors, such director shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by the Board of Directors pursuant to this Bylaw, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, in its sole discretion, may fill any resulting

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vacancy pursuant to the provisions of ARTICLE II, Section 2 or may decrease the size of the Board of Directors pursuant to the provisions of ARTICLE II, Section 1.

Section 4. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 5. Special Meetings.

Special meetings of the Board of Directors may be called by a majority of the directors then in office or by the Chief Executive Officer and shall be held at such place, on such date, and at such time as they or he shall fix. Notice of the place, date and time of each such special meeting shall be given to each director by whom it is not waived by mailing written notice not less than three days before the meeting or by telephone or in person or by facsimile transmission or electronic transmission not less than eighteen hours before the meeting. Unless otherwise provided in the notice thereof, any and all business may be transacted at a special meeting.

Section 6. Quorum.

At any meeting of the Board of Directors, a whole number of directors equal to at least a majority of the total number of the whole board, but not less than two, shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law.

Section 8. Powers.

The Board of Directors may, except as otherwise required by law, exercise all such power and do all such acts and things as may be exercised or done by the corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (1) To declare dividends from time to time in accordance with law;
- (2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

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(3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

(4) To remove any officer of the corporation with or without cause, from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(5) To confer upon any officer of the corporation the power to appoint, remove and suspend subordinate officers and agents;

(6) To adopt from time to time such bonus or other compensation plans for directors, officers and agents of the corporation and its subsidiaries as it may determine;

(7) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers and agents of the corporation and its subsidiaries as it may determine;

(8) To authorize grants of powers of attorney and appoint attorneys-in-fact on behalf of the corporation; and

(9) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the corporation's business and affairs.

#### Section 9. Compensation of Directors.

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the directors.

#### Section 10. Action without Meeting.

Any action required or permitted to be taken at any meeting of the Board of Directors or of any Committee thereof may be taken without a meeting if all members of the Board or Committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings (or electronic transmission or transmissions) are filed with the minutes of the proceedings of the Board or Committee.

### **ARTICLE III – COMMITTEES**

#### Section 1. Committees of the Board of Directors.

The Board of Directors, by a vote of a majority of the whole Board, may from time to time designate committees of the Board, including an Executive Committee, with the powers and duties it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect the director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may

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replace any absent or disqualified member at any meeting of the committee. Except as otherwise provided by applicable law, the rules or regulations of any stock exchange applicable to the corporation or pursuant to any other regulation applicable to the corporation or its securities, each committee of the Board of Directors (other than the Executive Committee and the Emergency Management Committee) may have only one member. In the absence or disqualification of any member of any committee and any alternate member in his place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Executive Committee.

If the Board of Directors shall designate an Executive Committee, said Committee shall have the following powers:

During the intervals between meetings of the Board of Directors, that Committee shall have all of the powers and duties of the Board of Directors, except as shall have been otherwise provided by the Board of Directors. All action taken by the Executive Committee since the last meeting of the Board of Directors shall be reported to the Board at its next meeting.

During the intervals between meetings of the Executive Committee, the chairman thereof shall have such of the powers and duties of such Committee as shall have been conferred upon him by the Board of Directors or the Committee.

Section 3. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; a majority of the members shall constitute a quorum; and all matters shall be determined by a majority vote of the members present.

Section 4. Emergency Management Committee.

If as a result of a catastrophe or other emergency condition a quorum of any committee of the Board of Directors having power to act in the premises cannot readily be convened and a quorum of the Board of Directors cannot readily be convened, then all the powers and duties of the Board of Directors shall automatically vest and continue, until a quorum of the Board of Directors can be convened, in the Emergency Management Committee, which shall consist of all readily available members of the Board of Directors and two of whose members shall constitute a quorum. The Emergency Management Committee shall call a meeting of the Board of Directors as soon as circumstances permit for the purpose of filling any vacancies on the Board of Directors and its committees and taking such other action as may be appropriate.

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## ARTICLE IV – OFFICERS

### Section 1. Generally.

The officers shall include a Chief Executive Officer, a Chief Financial Officer, one or more Vice Presidents (who may at the pleasure of the Board of Directors be designated as Senior Vice Presidents, Executive Vice Presidents, Vice Presidents in charge of a particular function such as Vice President-Administration, or merely Vice President), a Secretary, a Treasurer, a Controller, and such assistants to such officers as may from time to time be appointed by the Board of Directors. There may also be the following additional officers of the corporation: a President of the corporation and Presidents of business units of the corporation. The Board of Directors (or the Chief Executive Officer) may appoint such other officers as the business of the corporation may require, each of whom shall have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors or the Chief Executive Officer may from time to time specify.

Officers shall be elected annually by the Board of Directors after every annual meeting of stockholders, provided that the Board of Directors (or the Chief Executive Officer) may, during the period between the annual officer elections made by the Board of Directors, appoint such officers as the business of the corporation may require. Each officer shall hold his office at the pleasure of the Board of Directors and until his successor is elected and qualified or until his earlier resignation or removal. Any number of offices may be held by the same person.

### Section 2. Chief Executive Officer.

Subject to the provisions of these Bylaws and to the direction of the Board of Directors, the Chief Executive Officer of the corporation shall have the responsibility for the general management and control of the affairs and business of the corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him by the Board of Directors.

The Chief Executive Officer shall have power to sign all stock certificates, contracts and other instruments of the corporation which are authorized. He shall have general supervision and direction of all of the other officers and agents of the corporation.

### Section 3. Chief Financial Officer.

The Chief Financial Officer shall perform all the duties incident to the office of chief financial officer of a corporation, those duties assigned to him by other provisions of these Bylaws and such other duties as may be assigned to him either directly or indirectly by the Board of Directors, the Executive Committee, the Chief Executive Officer, the President, or as may be provided by law.

### Section 4. Presidents.

The President of the corporation, if there is one, shall have such duties and powers as may from time to time be delegated to him by the Board of Directors or by the Chief Executive Officer. In the absence or disability of the Chief Executive Officer, or during the

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period of a vacancy in that office, he shall act as the Chief Executive Officer of the corporation and shall have the duties and powers such office.

The Presidents of business units of the corporation, if there are any, shall have such duties and powers as may from time to time be delegated to them by the Board of Directors or the Chief Executive Officer.

Section 5. Vice Presidents.

Each of the Vice Presidents shall have such duties and powers as may from time to time be delegated to him by the Board of Directors, by the Chief Executive Officer, or by the President of the corporation.

Section 6. The Treasurer.

The Treasurer shall have the custody of all monies and securities of the corporation and shall keep regular books of account. He shall make such disbursement of the funds of the corporation as are proper and shall render from time to time an account of all such transactions and of the financial condition of the corporation. He shall have such other duties and powers as are commonly incident to this office or are delegated to him by the Board of Directors, by the Chief Executive Officer, or by the President of the corporation.

Section 7. The Secretary.

The Board of Directors shall appoint a Secretary or, at its discretion, more than one Secretary, each of whom shall have such duties and other powers are commonly incident to this office or are delegated to him or her by the Board of Directors, by the Chief Executive Officer, or by the President of the corporation. A Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. A Secretary shall have charge of the corporate books.

Section 8. Delegation of Authority.

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agents, notwithstanding any provision hereof.

Section 9. Removal, Resignation and Vacancies.

Any officer of the corporation may be removed at any time, with or without cause, by the Board of Directors, without prejudice to the rights, if any, of such officer under any contract to which it is a party. Any officer may resign at any time upon written notice to the corporation, without prejudice to the rights, if any, of the corporation under any contract to which such officer is a party. If any vacancy occurs in any office of the corporation, the Board of Directors may elect a successor to fill such vacancy for the remainder of the unexpired term and until a successor shall have been duly chosen and qualified.

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Section 10. Action with Respect to Securities of Corporation.

Unless otherwise directed by the Board of Directors, the Chief Executive Officer and the President of the corporation, and each of them, shall have power to vote and otherwise act on behalf of the corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this corporation may hold securities and otherwise to exercise any and all rights and powers which this corporation may possess by reason of its ownership of securities in such other corporation.

Section 11. Powers of Attorney.

In addition to the ability of the Board of Directors to authorize grants of powers of attorney pursuant to ARTICLE II, Section 8, each officer of the corporation shall have the authority to grant powers of attorney and appoint attorneys-in-fact on behalf of the corporation.

## **ARTICLE V – STOCK**

Section 1. Certificates of Stock.

The shares of stock of the corporation shall be represented by certificates, provided, however, that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the corporation's stock shall be uncertificated shares; provided, further, that any such resolution shall not apply to shares of stock represented by a certificate until such certificate is surrendered to the corporation. Each holder of stock of the corporation that is represented by a certificate shall be entitled to a certificate signed by, or in the name of the corporation by, the Chief Executive Officer, or the President of the corporation or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him. Signatures required on such certificates may be manually signed by the transfer agent, registrar or officer, or such signatures may be facsimile.

Section 2. Transfer of Stock.

Stock of the corporation shall be transferable in the manner prescribed by law and in these Bylaws. Shares of stock of the corporation shall only be transferred on the books of the corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization, and other matters as the corporation may reasonably require, and accompanied by all necessary stock transfer stamps. No transfer of stock shall be valid as against the corporation for any purpose until it shall have been entered in the stock records of the corporation by an entry showing the names of the persons from and to whom it was transferred.

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### Section 3. Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix in advance a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than 60 days nor less than ten (10) days preceding the date of such meeting of stockholders. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given. If the Board of Directors fails to provide proper notice of a meeting of stockholders but notice is waived, the record date for determining stockholders entitled to notice of and to vote at such meeting shall be at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to the first sentence of this Section 3(b)). If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date after the expiration of such ten (10) day time period on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a

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meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend, or any other distribution or allotment of any rights, or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than 60 days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 4. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Regulations.

The issue, transfer, conversion and registration of certificates of stock (or uncertificated stock) shall be governed by such other regulations as the Board of Directors may establish.

## ARTICLE VI – INDEMNIFICATION

Section 1. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she, or person of whom he or she is the legal representative, is or was a director or officer of the corporation, including when any such director or officer is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment) against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit

of his or her heirs, executors and administrators; provided, however, that, except as provided in ARTICLE VI, Section 2, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. All of the rights conferred in this ARTICLE VI to indemnification, advancement of expenses and otherwise, shall be contract rights and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the corporation within 20 days after the receipt by the corporation of a statement or statements from the claimant requesting such advance or advances from time to time. Such rights described in the preceding sentence shall vest at the commencement of such director's or officer's service to or at the request of the corporation and (x) any amendment or modification of this ARTICLE VI that in any way diminishes or adversely affects any such rights shall be prospective only and shall not in any way diminish or adversely affect any such rights with respect to any actual or alleged state of facts, occurrence, action or omission occurring prior to the time of such amendment or modification, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such actual or alleged state of facts, occurrence, action or omission, and (y) all of such rights shall continue as to any such director or officer who has ceased to be a director or officer of the corporation or ceased to serve at the corporation's request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, as described herein, and shall inure to the benefit of such director or officer's heirs, executors and administrators. Notwithstanding any of the foregoing, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise.

#### Section 2. Right of Claimant to Bring Suit.

If a claim for indemnification or advancement of expenses under ARTICLE VI, Section 1 is not paid in full by the corporation within thirty days (or, with respect to the advancement of expenses, twenty days) after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim to the fullest extent permitted by law. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of

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conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 3. Non-Exclusivity of Rights.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this ARTICLE VI, (i) shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or Disinterested Directors or otherwise, and (ii) cannot be terminated by the corporation, the Board of Directors or the stockholders of the corporation with respect to a person's service prior to the date of such termination. No repeal or modification of this ARTICLE VI shall in any way diminish or adversely affect the rights of any director, officer, employee or agent of the corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

Section 4. Insurance.

The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law. To the extent that the corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in Section 7 of this ARTICLE VI, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

Section 5. Procedures for Indemnification.

To obtain indemnification under this ARTICLE VI, a claimant shall submit to the corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 5, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by independent legal counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by independent legal counsel, (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (ii) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (iii) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to the claimant or (iv) if so directed by the Board, by the stockholders of the corporation. In the event the determination of entitlement

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to indemnification is to be made by independent legal counsel at the request of the claimant, the independent legal counsel shall be selected by the Board of Directors unless there shall have occurred within two years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a Change of Control (as hereinafter defined), in which case the independent legal counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within ten (10) days after such determination.

Section 6. Effect and Validity.

If a determination shall have been made pursuant to ARTICLE VI, Section 5 that the claimant is entitled to indemnification, the corporation shall be bound by such determination in any judicial proceeding commenced pursuant to ARTICLE VI, Section 2. The corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to ARTICLE VI, Section 2 that the procedures and presumptions of this ARTICLE VI are not valid, binding and enforceable and shall stipulate in such proceeding that the corporation is bound by all the provisions of this ARTICLE VI.

If any provision or provisions of this ARTICLE VI shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this ARTICLE VI (including, without limitation, each portion of any paragraph of this ARTICLE VI containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this ARTICLE VI (including, without limitation, each such portion of any paragraph of this ARTICLE VI containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 7. Employees and Agents.

The corporation may grant rights to indemnification, and rights to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the corporation, including when any such person is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the corporation, to the fullest extent of the provisions of this ARTICLE VI with respect to the indemnification and advancement of expenses of directors and officers of the corporation when and as authorized by appropriate corporate action.

Section 8. Definitions.

For purposes of this ARTICLE VI:

(a) “Change of Control” means (i) The acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (“Exchange Act” is defined in ARTICLE I, Section 9)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the corporation (the “Outstanding Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the corporation entitled to vote generally in the election of directors (the “Outstanding voting Securities”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the corporation, (ii) any acquisition by the corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the corporation or any corporation controlled by the corporation or (iv) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (a) (iii) of this Section 8; or

(ii) Individuals who, as of the date hereof, constitute the Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the corporation’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors; or

(iii) Consummation by the corporation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the corporation or the acquisition of assets of another entity (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individual and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the corporation or all or substantially all of the corporation’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the

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execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(iv) Approval by the stockholders of the corporation of a complete liquidation or dissolution of the corporation.

(b) “Disinterested Director” means a director of the corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(c) “independent legal counsel” means a law firm, a member of a law firm, or an independent practitioner that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the corporation or the claimant in an action to determine the claimant’s rights under this ARTICLE VI.

## ARTICLE VII – NOTICES

### Section 1. Notices.

Whenever notice is required to be given to any stockholder, director, officer, or agent, such requirement shall not be construed to mean personal notice. Such notice may in every instance be effectively given by depositing a writing in a post office or letter box, in a postpaid, sealed wrapper, addressed to such stockholder, director, officer, or agent at his or her address as the same appears on the books of the corporation. The time when such notice is dispatched shall be the time of the giving of the notice.

Notwithstanding anything to the contrary set forth in these Bylaws, any notice to stockholders given by the corporation hereunder shall be effective if given by a form of electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law (except to the extent prohibited by Section 232(e) of the Delaware General Corporation Law). Notice given by a form of electronic transmission in accordance with these Bylaws shall be deemed given at the times provided in the Delaware General Corporation Law. Such further notice shall be given as may be required by law.

Without limiting the foregoing, any notice to stockholders given by the corporation may be given by a single written notice to stockholders who share an address if consented to by the stockholders at such address to whom such notice is given. Any such consent shall be revocable by the stockholders by written notice to the corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation of its intention to send the single notice as set forth in this ARTICLE VII, Section 1, shall be deemed to have consented to receiving such single written notice.

### Section 2. Waivers.

A written waiver of any notice, signed by a stockholder, director, officer or agent entitled to notice, or a waiver by electronic transmission by such person, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice

required to be given to such stockholder, director, officer, or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

## ARTICLE VIII – MISCELLANEOUS

### Section 1. Facsimile Signatures.

In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the corporation may be used whenever and as authorized by the Board of Directors or the Executive Committee.

### Section 2. Corporate Seal.

The Board of Directors shall provide a suitable seal, containing the name of the corporation, which seal shall be in charge of the Secretary. If and when so directed by the Board of Directors or by the Executive Committee, duplicates of the seal may be kept and used by the Treasurer or by any Assistant Secretary or Assistant Treasurer.

### Section 3. Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the Board of Directors, and each officer of the corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the corporation, including reports made to the corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

### Section 4. Fiscal Year.

The fiscal year of the corporation shall terminate at the end of business on December 31 in each year, and the following year shall begin on the next day thereafter.

### Section 5. Time Periods.

In applying any provision of these Bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to any event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

### Section 6. Independent Accountants.

The Board of Directors shall appoint on an annual basis such firm of independent public accountants as it shall deem appropriate to examine the corporation's financial books and records on at least an annual basis. The appointment of said independent accountants shall, at the next succeeding annual meeting of stockholders be presented to the stockholders of the

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corporation for ratification. Should the stockholders fail to ratify the appointment by the Board of Directors of said independent public accountants, the Board of Directors shall take the matter under consideration and the vote of the stockholders in that regard shall be deemed advisory in nature.

Section 7. Gender.

Any reference to the masculine gender in these Bylaws shall be construed to mean the feminine gender, as the situation may demand.

**ARTICLE IX – AMENDMENTS**

Section 1. Amendments.

These Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, by the Board of Directors at any meeting or by the stockholders at any meeting.

**MATTEL, INC. AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

(Unaudited; in thousands, except ratios)	For the Six Months Ended	For the Years Ended December 31,				
	June 30, 2011	2010	2009	2008	2007	2006
<b>Earnings Available for Fixed Charges:</b>						
Income from continuing operations before income taxes	\$ 116,149	\$846,825	\$660,047	\$487,964	\$703,398	\$683,756
Add: Non-controlling interest losses in consolidated subsidiaries	—	—	222	262	255	271
Add:						
Interest expense	36,458	64,839	71,843	81,944	70,974	79,853
Appropriate portion of rents (a)	15,947	34,544	34,439	29,833	28,245	25,724
Earnings available for fixed charges	<u>\$ 168,554</u>	<u>\$946,208</u>	<u>\$766,551</u>	<u>\$600,003</u>	<u>\$802,872</u>	<u>\$789,604</u>
<b>Fixed Charges:</b>						
Interest expense	\$ 36,458	\$ 64,839	\$ 71,843	\$ 81,944	\$ 70,974	\$ 79,853
Appropriate portion of rents (a)	15,947	34,544	34,439	29,833	28,245	25,724
Fixed charges	<u>\$ 52,405</u>	<u>\$ 99,383</u>	<u>\$106,282</u>	<u>\$111,777</u>	<u>\$ 99,219</u>	<u>\$105,577</u>
Ratio of earnings to fixed charges	<u>3.22 X</u>	<u>9.52 X</u>	<u>7.21 X</u>	<u>5.37 X</u>	<u>8.09 X</u>	<u>7.48 X</u>

(a) Portion of rental expenses that is deemed representative of an interest factor, which is one-third of total rental expense.

## CERTIFICATIONS

I, Robert A. Eckert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mattel, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 20, 2011

By: \_\_\_\_\_  
/s/ Robert A. Eckert  
Robert A. Eckert  
Chairman and Chief Executive Officer  
(Principal executive officer)

## CERTIFICATIONS

I, Kevin M. Farr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mattel, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 20, 2011

By: \_\_\_\_\_  
/s/ Kevin M. Farr  
Kevin M. Farr  
Chief Financial Officer  
(Principal financial officer)

