MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to today's Mattel first quarter 2008 earnings conference call. Today's call is being recorded. At this time I would like to turn the conference over to Mr. Mike Salop. Please go ahead, sir.

Michael A. Salop, Treasurer and Senior Vice President, Investor Relations

Thanks Melissa. This morning we reported Mattel's first quarter 2008 earnings. In a few minutes Bob Eckert, Mattel's Chairman and Chief Executive Officer, and Kevin Farr, Mattel's Chief Financial Officer, will discuss the results. After their comments we'll open the call for your questions.

Before we begin let me note certain statements made during the call and in the question-and-answer session that follows may include forward-looking statements about management's expectations, strategic objectives, anticipated financial performance and other similar matters. Such forward looking statements may include comments regarding: performance of our brands and product lines; new product introductions; new entertainment properties; theatrical releases; consumer takeaway relative to shipments; profits and margins; reducing controllable costs; litigation expenses; price increases; income tax provisions; foreign exchange gains and losses; legislation and regulation; cash flow and capital deployment; and our capital and investment framework. A variety of factors, many of which are beyond our control, affect the operations, performance, business strategy and results of Mattel and could cause actual results to differ materially from those projected in such forward-looking statements. Some of these factors are described in our 2007 report on form 10-K filed with the SEC and Mattel's other filings made with the SEC from time to time, as well as in Mattel's other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so. Information required by regulation G regarding non-GAAP financial measures is available on the "Investors and Media" section of our corporate website, Mattel.com, under the subheadings "Financial Information" and "Earnings Releases." Now I would like to turn the call over to Bob.

Robert A. Eckert, Chairman and Chief Executive Officer

Thank you Mike and good morning. Results for the first quarter were not all that surprising. While Kevin will go into the details, four key P&L lines moved in the wrong direction. First, sales declined even with the benefit of foreign exchange with most of the decline attributable to Fisher-Price®. As a reminder, in last year's first quarter, we were chasing demand for 2006's hot selling toys, including TMX™ Elmo and the Kid-Tough Digital Camera, and rebuilding depleted retail inventories across several of our brands, including Fisher-Price®.

Despite the challenges, there were some early bright spots. Our Wheels business was boosted by initial shipments of Speed Racer, and High School Musical continues to help drive growth for our Other Girls' lines. American Girl® is also off to a good start in the New Year.

Although sales declined in the quarter, consumer takeaway outperformed shipments across our portfolio so we do expect core brand growth to improve as the year progresses. We are also anticipating additional contributions from this year's entertainment properties: the Speed Racer movie out the first part of May, Kung Fu Panda™ in June, the Dark Knight™, the sequel to Batman® Begins, and the American Girl® movie Kit Kittredge®: An American Girl, which will both be out this July.

Second, gross margins declined. Costs of labor, materials, transportation and testing are all increasing. While we continue to improve productivity, we have also appropriately priced our Fall product line to reflect new realities.

Third, overhead costs increased, largely driven by legal expenses related to product recall litigation and the MGA/Carter Bryant case scheduled to begin trial later this Spring.

Finally, in an area we didn't anticipate for the quarter, we recorded non-operating expense related to foreign exchange.

With most of the year in front of us I remain optimistic about the business and all of us are committed to addressing the near-term challenges and delivering profitable growth for the year. Later this week, we'll be mailing our annual report to shareholders. Every year you have come to expect a theme or word for the year. This year's call to action is commitment. As I mentioned earlier, we are committed to continuing to grow the business. From a margin perspective, while it's true we are experiencing higher commodity costs, we are committed to pricing our products appropriately and reducing controllable costs to address the challenges and ultimately build margins. We have continued our commitment to strengthen our efforts as a responsible corporate citizen with the creation of a new Corporate Responsibility organization reporting directly to me. And our commitment to realizing our vision of being the World's Premier Toy Brands for Today and Tomorrow is unwavering.

Thank you. At this time I'd like to introduce Mattel's Chief Financial Officer, Kevin Farr, who will take you through a financial review of the quarter. Kevin.

Kevin Farr, Chief Financial Officer

Thank you Bob, and good morning everyone. I'll begin my review for the first quarter with the discussion of worldwide gross sales shown on exhibit 2 of today's press release. Total worldwide gross sales for the quarter were down 2%, including a 5 percentage point benefit from changes in currency exchange rates. U.S. sales were down 11% while international sales were up 8%, including an 11 percentage point benefit from foreign exchange. On a regional basis, sales in Europe were up 5%, including a 10 percentage point positive impact from exchange rates. Sales in Latin America were up 18%, including a 15 percentage point positive impact from foreign exchange. And sales in Asia Pacific were up 23%, including an 8 percentage point positive impact from changes in exchange rates.

I will now review our core categories and brands for the first quarter.

Mattel Girls & Boys Brands. Worldwide sales for the Mattel Girls & Boys Brands segment were up 5%, including a 7 percentage point benefit from changes in currency exchange rates. Worldwide Barbie® sales were flat compared to last year, including a 7 percentage point positive impact from foreign exchange. Barbie® sales in the U.S. were down 12%, while Barbie® sales in international markets increased 6%, including an 11 percentage point benefit from foreign exchange. This Spring's key fantasy line, Mariposa, performed well worldwide, but was offset by declines in My Scene, which has been discontinued in the U.S.

Worldwide sales of Other Girls Brands were up 16%, including an 8 percentage point positive impact from exchange rates. Sales in the U.S. were up 13%, while international sales of Other Girls Brands were up 17%, including a 12 percentage point positive impact from foreign exchange. The sales growth worldwide was driven primarily by High School Musical.

Worldwide sales in the Wheels category increased 15%, including a 6 percentage point positive impact from changes in currency exchange rates. Double-digit increases in both the U.S. and international markets were driven primarily by the addition of Speed Racer. Our Speed Racer sales are reported in both Wheels and Entertainment categories, depending on the type of product. Core

Hot Wheels®, which does not include Speed Racer, grew 2% worldwide, including a 7 percentage point positive impact from foreign exchange, and Matchbox® grew double digits.

Worldwide sales in our Entertainment business, which includes Games and Puzzles were down 5%, including a 6 percentage point positive impact from changes in foreign exchange. Although CARS declined in the U.S., it remains a very strong property in its third year, and the decline was offset by Speed Racer shipments. The overall Entertainment category decline was driven by several smaller properties, such as Naruto.

Fisher-Price® Brands. Worldwide sales for Fisher-Price® brands were down 13%, including a 4 percentage point positive impact from changes in currency rates. On a regional basis, international sales of Fisher-Price® brands increased 7%, including a 10 percentage point positive impact from foreign exchange, while sales in the U.S. declined 24%. Worldwide core Fisher-Price® was down 1%, including a 5 percentage point benefit from changes in currency exchange rates. U.S. sales of Fisher-Price® Core were down 17%, and international sales were up 23%, including a 12 percentage point benefit from foreign exchange.

Fisher-Price® Friends sales declined 49%, including a 2 percentage point benefit from foreign exchange rates. Sales of Fisher-Price® Friends in the U.S. were down 55% while international sales were down 41% including, a 3 percentage point benefit from foreign exchange. As Bob mentioned earlier, Fisher-Price® benefited in the first quarter of 2007 from extremely low retail inventory levels as well as heavy demand for hot products such as TMX™ Elmo and the Kid-Tough Digital Camera. You may recall in the first quarter of 2007, Fisher-Price® overall grew 27% and Fisher-Price® Friends grew 45%.

American Girl® Brands. Sales of American Girl® brands were up 10%, primarily as a result of positive contributions from our new Boutique and Bistros in Atlanta and Dallas, which opened in the second half of 2007, as well as continued strong sales of the Julie 1970s character introduced last year and an earlier Easter in 2008.

Now, let's review the P&L which is shown on Exhibit 1. Gross margin was 43.2%, compared to 44.5% last year. The decline was primarily due to cost pressures from commodities, Chinese labor rates, the appreciating Chinese currency, and incremental product testing costs, which more than offset favorable foreign exchange and some price increases in international markets. As previously stated, the majority of our global price increases will not be effective until June.

Advertising expense was $103 million or 11.2% of net sales, flat with 2007. Selling, General and Administrative expenses increased approximately $37.5 million to $330.3 million. As a percentage of net sales, SG&A expenses were 35.9%, compared to 31.1% last year. Approximately half of the increase in SG&A expenses is due to higher litigation fees. The impact of foreign exchange and an increase in equity compensation expense from $3.7 million in last year's first quarter to $7.1 million this year also contributed to higher SG&A.

Operating loss during the quarter was $36.5 million compared to operating income of $20.6 million last year due primarily to slightly lower sales, external cost pressures, and higher litigation expenses. Interest expense was $16 million versus $14.5 million in 2007. The increase in interest expense versus last year is due to higher average borrowings, partially offset by lower average interest rates. Interest income was $8.5 million versus $12 million last year. The lower interest income is primarily due to lower average invested cash balances during the quarter.

Other non-operating expense, net was $15.8 million versus $2.4 million in 2007. The current year expense relates primarily to foreign exchange losses caused by local currency revaluation of U.S. dollar cash balances held by a Latin-American subsidiary.

Income taxes provided benefit of $13.2 million, which translates to an effective rate of 22%, compared to prior year's expense of $3.7 million. Overall, we reported net loss of $46.6 million or $0.13 per share versus last year's net income of $12 million or $0.03 per share.

So to summarize the P&L, the 2008 net loss primarily resulted from lower sales, higher costs for commodities, labor, and product testing, higher litigation expenses, and non-operating foreign exchange losses. We expect improvement in some of these areas and are addressing the issues that are ongoing.

Now turning to the cash flow and balance sheet. Cash flow used for operations for the quarter was $264 million, driven primarily by the use of cash for seasonal working capital requirements. Cash on hand at the end of the quarter was $624.9 million, down from $984.2 million in prior year, primarily due to the deployment of excess capital during 2007. We did not complete any material share repurchases in the first quarter, and still have $501 million remaining on our authorization.

Receivables were $728.2 million or 71 days of sales outstanding, one day higher than last year. Factoring increased from $41 million to $86 million. Prior to factoring, days of sales outstanding increased six days. Inventories at $534.2 million, were up $85.6 million, or 19% versus 2007 and represented 79 days of supply, which is three days higher than last year, due to higher input costs and earlier production to meet supply chain requirements.

Our total balance sheet debt increased by $260 million from the prior year. In the first quarter, the company paid down $40 million of medium-term notes and repaid $349 million of short-term borrowings. The company also issued $350 million of 5.625% five year senior notes to maintain our desired capital structure. Our debt-to-total capital ratio ended the quarter at 28% versus 19.8% in last year's first quarter. Capital Expenditures were $33 million, up from last year's $24 million.

So to summarize, despite the benefit of foreign exchange, overall revenues declined due to the success of several hit products and low retail inventory levels in the first quarter of 2007, particularly at Fisher-Price®. However, by the end of the first quarter our retail inventory levels at our top U.S. accounts were back below prior year's levels across our portfolio.

We are looking forward to core brand growth and additional contributions from our three key entertainment properties: Speed Racer, Kung Fu Panda™ and Batman® the Dark Knight™, as well as the American Girl® movie, Kit Kittredge®: An American Girl.

In the quarter, gross margins declined due to external cost pressures and incremental product testing costs. To combat these costs we have implemented mid to high single digit price increases effective in June across most of the world. SG&A was negatively impacted in the quarter by incremental litigation expenses. These expenses are likely to continue for the next few quarters until the legal matters are resolved. And other non-operating expense reflects a foreign exchange loss in 2008 related to revaluation of U.S. dollar cash balances held by a Latin-American subsidiary. Going forward, our U.S. dollar asset and liability exposures now largely offset each other in this subsidiary. Although the offsetting gains and losses may appear on different line items in the P&L, we would not expect a significant net revaluation impact from any future currency movements. Our balance sheet remains solid and we completed a $350 million senior note offering in the quarter to replace maturing debt. As we advance through the year, we look to drive operating improvements from the mentioned actions and, as always, generate profitable growth and strong levels of free cash flow, which we plan to effectively deploy for our shareholders.

That concludes my review of the financial results. Now we'd like to open the call for questions. Operator.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. On line first is Tim Conder with Wachovia.

<Q – Timothy Conder>: Thank you, Kevin, could you be give us a little more color on the legal expenses, I guess the breakdown between, you mentioned the MGA's ongoing suit there and then also the related to the recalls and how do you see somewhat of those expenses going forward?

<A – Kevin Farr>: You know, Tim, I'm not going to be able to give you more color on the legal expenses other than to say that half of the increase related to SG&A did relate to litigation matters.

<Q – Timothy Conder>: Okay.

<A – Kevin Farr>: We believe these expenses will be ongoing for future quarters until these matters are settled.

<Q – Timothy Conder>: Should we see them at the type of rate or pace that we did in the first quarter?

<A – Kevin Farr>: Again, we're not going to project those. I think what we are doing is we are making investments in legal expenses, and we'll make the appropriate investments as these legal matters progress through the year. And that's all the guidance we are going to give you.

<Q – Timothy Conder>: Okay.

<A – Michael Salop>: We did, Tim when you get to the second half of the year we did have expenses related to the recall litigation in the second half of last year so the comps won't be the same as the first half.

<Q – Timothy Conder>: Right right right. Okay thanks Mike. And then as it relates to you mentioned that your takeaway was below your shipments and that's setting you up nicely for the balance of the year, assuming, you know, trajectories of sales hold on a seasonal basis. Is that, just to clarify, is that true both in the U.S. and international or are we seeing, and then also could you give us a little bit of color as to how the sales progress both accelerating, decelerating as the quarter progress from January to March.

<A – Michael Salop>: Tim let me start with the first part of the question.

<Q – Timothy Conder>: Okay.

<A – Michael Salop>: In the U.S. we did end '07 with about 10 or 15% more inventory at retail than we did in the prior year, which put us at about the two year ago level. You recall last year at this time we had very low levels of inventory both ourselves and retailers.

<Q – Timothy Conder>: And that was just --

<A – Robert Eckert>: Sorry, Tim?

<Q – Timothy Conder>: That was just getting you back up, Bob, right, to what you said was kind of normal level. Correct?

<A – Robert Eckert>: Correct.

<Q – Timothy Conder>: All right.

<A – Robert Eckert>: Our shipments in the first quarter this year, in the U.S., excluding American Girl®, were down 14%. And our point of sale was a bit north of flat. And maybe we had some Easter benefit in that. So we finished the first quarter with retail inventories here being a bit below prior year. In essence what happened in the first quarter of '08, retailers burned off the inventory they had, and in the first quarter of '07 they had to buy inventory to support the demand that they had. That was true in both the U.S. and in international, but really only in a handful of markets internationally. Last year's first quarter in international was up 29%. All of the markets and all the brands did well a year ago. This quarter we are up about 8% and a lot of that was, or all of that was due to currency. Again, most markets did well, and most businesses did well. The exception was the Friends business internationally, which was down 49%. And a handful of markets like the U.K. and Germany and Canada also had the inventory change, like we had here in the U.S. the one exception to all that was Brazil. We also had a decline in Brazil, but it seemed to be more related to getting import approvals which affected our shipments in the quarter. So when you look across the business, CARS, High School Musical, Fisher-Price® all did well internationally. And I continue to expect international to be a driver of growth for us really both this year and continuing as it has for the last seven or eight years.

<Q – Timothy Conder>: And last question, Bob, related to Fisher-Price® Friends and that, I think you mentioned before that may be you missed a little bit on the product as far as having the product right. How do you see that shaping up as the year progresses and now you are through some of the most challenging comps there? How do you see that unfolding?

<A – Robert Eckert>: Well in Friends, the biggest decliner in the quarter this year was Sesame Street.

<Q – Timothy Conder>: M'hmm.

<A – Robert Eckert>: You know, because year ago we had T.M.X.™ Elmo which continued to be a hot seller. In fact everything Elmo was doing quite well. This year we have Elmo Live this fall. I think Mike, it might start shipping in September.

<A – Michael Salop>: I think that's right.

<A – Robert Eckert>: Or thereabouts. It's a really cool product and I'm optimistic about it. And I think that will improve prospects for the Friends business in general and Sesame Street specifically.

<Q – Timothy Conder>: Okay. And Dora in particular?

<A – Robert Eckert>: Dora did decline. It wasn't as big a decline as we saw in Sesame Street. But it continues to be an evergreen property for us, it continues to be a great brand for us and the core doll business side of Dora did pretty well for the quarter.

<Q – Timothy Conder>: Okay thank you gentlemen.

<A – Robert Eckert>: Thanks Tim.

Operator: We'll go next to Evan Tornell with Piper Jaffray.

<Q – Anthony Gikas>: Hi guys this is Tony Gikas at Piper. A couple questions. Maybe just to follow up on that, anything else in Fisher-Price® that created some weakness during the quarter would be -- love to have more color on that. Second question, any update on the increased costs related to testing product during the manufacturing process and what that expectation is on just a year-over-year incremental basis. I know you have helped us with that in the past, and then maybe just your quick thoughts on sort of industry sales overall with the economy softening a little bit, what are your expectations both U.S. and international?

<A – Robert Eckert>: Hi this is Bob I'll try and take the first and third and let Kevin take the middle one. Last year in the first quarter Fisher-Price® grew 27% and this year Fisher-Price® declined 13% and it was really related to T.M.X.™ Elmo, the digital camera and very low levels of retail inventory last year compared to this year. Despite not having those products like T.M.X.™, and the camera to chase, our POS was pretty close to flat for the quarter. So I think you can see the impact of last year's retail inventory reload, which obviously wasn't repeated this year. So I'm not seeing anything across retail sales that is particularly concerning at this time of year. I think it's really more a function of the year ago comparison.

<A – Kevin Farr>: Okay, and Tony with regard to testing costs, our incremental testing costs in the quarter were consistent with our expectations of about 1% of cost of goods sold and that's really our expectation that's ongoing. And if you look at year-on-year we expect to see year-over-year increasing in testing costs until we get into the fourth quarter where we were incurring them last year.

<Q – Anthony Gikas>: Okay. And -

<A – Robert Eckert>: And Tony your third question, I think that last year's concerns around the consumer, the overall economic environment have continued into this year. That said, as you know, the toy industry has historically held up very well in tough economic times. So we remain committed to being focused on innovation, engaging toys to the marketplace, and I haven't seen anything early this year that causes me concern about this coming holiday season as it relates to the toy business.

<Q – Anthony Gikas>: Okay.

<A – Kevin Farr>: And Tony if you're looking at the NPD data the first two months are small for the year but there is showing a decline in the U.S. NPD. There was an extra week in the NPD data in 2007 which is really accounting for all the decline in the first couple of months of the year.

<Q – Anthony Gikas>: Any update on your market share both domestic and international and then Kevin, could you maybe just help us with the net interest expense number for the year?

<A – Robert Eckert>: I haven't seen any market share information yet. It's a little early with a lot of small numbers. We tend not to get it until after the quarter. Mike told me about the industry-wide number, which must have been published by NPD or somebody. That's not consistent with what I've heard talking with retailers about the state of the business so it might be either a small numbers, or the extra week thing.

<A – Kevin Farr>: And Tony, we don't give guidance for interest expense, but as you think about the variance from 2007, as you do your calculations, you should consider your expectation for revenue growth and operating earnings. Short-term interest rate trends, debt maturities, capital deployment assumptions including share repurchase and acquisitions and our existing cash and debt balances coming into 2008.

<Q – Anthony Gikas>: Okay. Thanks.

<A – Robert Eckert>: Thanks Tony.

Operator: Up next is Greg Badishkanian with Citigroup.

<Q – Gregory Badishkanian>: Great thank you. Could you just, in regards to the cost and pricing environment, you had implemented a mid to high single digit price increase, is that kind of similar to what your competitors out there are implementing as well?

<A – Robert Eckert>: Well, it is hard to say because different people look at it differently. And because so much of the toy business is new products. You know, one can certainly say this is a new product and it's just priced at this level. Last year we had a different product priced at a different level. They both may be three-inch action figures or 11-inch dolls but they are different products so people may not look at it that way -- and it's even hard for us to look at it because of the fact that it's all new products and each product is a little bit different than the prior year. But we try and look at the entire portfolio. And you know, if it were apples to apples, that is like sorts of products, that's when we talk about a price increase which is pretty much across the board and around the world.

<Q – Gregory Badishkanian>: And retailers are pretty open to that just because they read the papers, they see what's going on in the cost environment as well. Right?

<A – Robert Eckert>: Well, I don't know if I would use the word open. You know, those are always difficult conversations but the fact is, not only do they read the papers, most of the major retailers are in private label toys. And they're seeing the exact same cost increases coming at them. So yes, I don't think they are at all surprised by this. And we've sort of moved past those discussions and into the discussions of, okay, how are we going to sell the toys this holiday season.

<Q – Gregory Badishkanian>: Right. Right. Good. And can you talk a little bit about maybe some initiatives that you do have in place to eliminate some of the costs, increasing costs. Maybe the top one or two that you think are really going to be meaningful over the next, you know, four to six quarters.

<A – Robert Eckert>: The most important one is, from an operations standpoint, in fact is now moved beyond operations in the company, is lean manufacturing or lean systems or Kaizen events. We've seen dramatic double-digit improvements in productivity, as measured by costs going through the system, and space utilization, inventory investment and the like. So having work groups work on specific activities under their control has had a big pay-off to us. And not only are we now doing this in our own manufacturing plants, we're also extending that to some of our vendor partners' plants and we're doing it in some of the business units and some of the corporate functions around the company so that it is not just confined to operations given the success we've had. That will probably be the biggest driver of productivity improvements for us over the next probably couple of years.

<Q – Gregory Badishkanian>: Good. Thank you.

Operator: We'll go next to Sean McGowan with Needham & Company.

<Q – Sean McGowan>: Hi, thank you. Just wanted to follow up on the cost and pricing issue. Just to ask you how confident you are at this point that the price increases that you do get will be sufficient to offset the cost increases, in other words, what is your overall expectation for a run rate on year-over-year gross margin by year end?

<A – Kevin Farr>: Well, that would sort of be a projection of guidance so I won't specifically answer your question, Sean.

<Q – Sean McGowan>: That's why I put it as a run rate to say do you think by the end of the year you'll see an equilibrium there. Not for the full year but just -- do you expect the price increases to offset the cost increases, you know, on a run rate basis?

<A – Kevin Farr>: Yes. I understand the question. But again, I think the direct answer to your question would lead to some sort of guidance which I'm reluctant to do. Let me just say this. We have been looking at the costs for some time. We studied them very hard. We have tried to price appropriately. You know, you never know if it is enough until you have the benefit of hindsight to see exactly what the costs were in the ingredients when you used them and those sorts of things. But clearly we had to step up in pricing this year, and we have done so. The cost environment has been unrelentless, whether it is commodity costs, you know, resins and oil continue to be high. Labor costs are increasing dramatically in China. But those are things that we've been expecting as the year unfolds.

<Q – Sean McGowan>: Okay. And then a question then on Barbie®. You know, now that we're well past toy fair and you have gotten feedback from major customers, how do you feel about major Barbie® initiatives and some of the bigger themes for the second half?

<A – Robert Eckert>: I feel better Sean than the first quarter numbers would suggest. Our POS here in the U.S., on Barbie®, was down in the quarter, low to mid single digits. Excluding My Scene which we did discontinue here in the second half last year, our POS was actually up a little bit, again, low to mid single digits. And I think that's encouraging in the light of strong performances by High School Musical which we make and Hannah Montana which is licensed to a competitor. And importantly the spring entertainment line as Kevin mentioned, Mariposa has done well suggesting that the '07 experience when we had entertainment trending down, may have been more related to the specific product instead of the business model. Fashion Fever has done well. Core Barbie®, the kind of careers and furniture, SKUs have done well. The new eye design which is fashion play delivered electronically is doing well. So across the board, I'm encouraged by the progress we are making on Barbie®, particularly in light of some great competitive products out there.

<Q – Sean McGowan>: Okay. And last question, when will you, or have you already announced the pricing on the subscription for Barbiegirls.com.

<A – Robert Eckert>: We have not announced the pricing. It will have to be soon because we are going to the subscription model next month. But it's one of those things where people are moving very quickly. I can tell you we will be competitive with our pricing. But we don't want to get out in front of it so that others can see it too soon. But we have been studying it and I don't think there is going to be any big surprise in there for anybody.

<Q – Sean McGowan>: Can you give us an update on where those numbers are in terms of users and active subscribers.

<A – Robert Eckert>: I think it is 11 million. Is that right Mike?

<A – Michael Salop>: Yes – up around 11 million.

<Q – Sean McGowan>: Okay. Thank you.

<A – Robert Eckert>: Thanks, Sean.

Operator: We'll go next to Felicia Hendrix with Lehman Brothers.

<Q – Felicia Hendrix>: Hi good morning guys. A lot of my questions have been asked. So I just have two smaller ones. One and I know it's just 2% of overall revenues but could be trend of overall industry revenues. You know, Washington state the decision there, I was just wondering how does that affect you and, you know, what are you guys doing to offset potentially similar decisions in other states. And is any kind of lobbying costs involved with that also in your SG&A.

<A – Robert Eckert>: Well, several states, including Washington, have either passed or proposed or they are at least considering legislation that would result in a variety of different standards for lead or bay leaves or other sorts of ingredients. We have certainly worked with the states, as have some of our competitors and the toy industry association to educate legislators and regulators on the fact that, you know, if they go too far in these things, some electronic components aren't going to be able to be used. So we would all be unable to ship some toys into certain states. So our real hope here is that the House and Senate will be able to work on a compromise Federal bill so that we can alleviate the pressure on the states to pass either duplicative or inconsistent legislation. And we're working at both the state level to inform legislators there and at the federal level trying to encourage them to finish the project they have been on now for several months.

<Q – Felicia Hendrix>: Have you basically stopped shipping certain products into Washington State?

<A – Robert Eckert>: No. The legislation is effective, I think July 1st of '09.

<Q – Felicia Hendrix>: Okay.

<A – Robert Eckert>: And there are some opportunities between now and then, hopefully to influence how that legislation is either interpreted or enforced, because I don't think people in the state of Washington, including the regulators and legislators really want their children not to have the benefit of some of these educational toys. So that's something we'll have to work through.

<Q – Felicia Hendrix>: Okay. And then just final question, just can you just give us the dates, the international dates for the Speed Racer, release dates for the Speed Racer movie?

<A – Robert Eckert>: It varies by country. But I don't know, Felicia, I don't know them off the top of my head. Do you Kevin.

<A – Kevin Farr>: No I don't I would guess it would be rolling through May and probably June.

<A – Robert Eckert>: Maybe Mike we could check that out and get back to you.

<A – Michael Salop>: I'll get back to you Felicia.

<Q – Felicia Hendrix>: Okay that's great thanks so much.

Operator: Go next to Margaret Whitfield with Sterne Agee.

<Q – Margaret Whitfield>: Good morning everyone I was curious on the price increase Bob does that go into effect at the beginning or the end of June and would you expect a lot of purchases of products by retailers prior to these price increases.

<A – Robert Eckert>: Generally speaking, Margaret the price increases are effective June 1st. You know it does vary somewhat by market. And by item and by brand. But as a rule of thumb I would think about June 1st. And historically speaking we have not seen a large amount of trade inventory buying in advance of prices because the way we do this it is on our fall line. And when the fall line ships the fall line ships. So it is not available until it is available. And buying the old spring line really isn't a function of what the price increase of the new fall line. So we don't see a lot of -- you know, we'll use the term kind of trade loading in advance of a price increase.

<Q – Margaret Whitfield>: Okay and on the three entertainment properties we've apparently had good response to Speed Racer already. Any thoughts on the other two movies and how they might do at retail?

<A – Robert Eckert>: Yes. Speed Racer looks very good at retail. You know, like many of you I've been in stores recently including this weekend. And it looks good. It is too soon to tell how the product will do but I'm certainly hearing more good things than not as it relates to the early performance. Kung Fu Panda™ has gotten a lot of good buzz, as a movie and I think we have some pretty cool toys. And Batman® is a pretty clear, consistent performer. So I guess my expectations are pretty high for that one, too.

<Q – Margaret Whitfield>: I'm told that MGA has expended about 50 million in legal expense thus far. I'm wondering if the bulk of the legal costs for this case are ahead of us, behind us, or how would you characterize it.

<A – Robert Eckert>: Well, the trial begins, I believe it is scheduled to start at the very end of May or thereabouts. It will probably last sometime because there are some pretty heavy issues. And we're certainly investing a lot of money to make sure our case is presented well, which I'm sure it will be. So it -- I would suspect once we get past the trial phase whenever that is, expenses may not be as high as they are right now.

<Q – Margaret Whitfield>: So Q2 might be a heavy quarter for that case in particular?

<A – Robert Eckert>: Yes. Q2 will be a heavy quarter for that case in particular. We're working pretty hard on that case.

<Q – Margaret Whitfield>: Okay and on American Girl®, good to see the positive numbers there. Any thoughts of opening additional boutiques in the near future. This year, next.

<A – Robert Eckert>: Yes.

<Q – Margaret Whitfield>: Can you say where?

[LAUGHTER].

<A – Robert Eckert>: I answered your question. Yes, no, we've had very good success in both the boutiques, Atlanta and Dallas. And we are looking at a couple of properties as we speak. There is nothing to announce yet. But we are pleased with the performance of the boutiques. The concept of having something a little bit smaller than the flagship stores generating good profitable revenue seems to have tested out well. So we are going to be in a slow steady expansion mode on that.

<Q – Margaret Whitfield>: So given what you just said, it seems unlikely that you will be able to open this year.

<A – Robert Eckert>: I don't know that I'd draw that conclusion.

<Q – Margaret Whitfield>: M'hmm.

<A – Robert Eckert>: But I don't want to get ahead any of announcement we might make.

<Q – Margaret Whitfield>: Okay thank you.

<A – Robert Eckert>: Thanks Margaret.

Operator: We'll go next to Linda Bolton-Weiser with Caris & Company.

<Q – Linda Bolton-Weiser>: Thank you. I was just curious about share repurchase in the quarter. I believe that when you did the large share repurchase back in third quarter '07 your average purchase price was around $22 per share and certainly your stock has been below that in the first quarter of '08. Is it just your working capital needs that you held back on a share repurchase or can you elaborate a little bit more.

<A – Robert Eckert>: Well I'll tell you in the quarter we repurchased approximately 7,000 shares, at an average price of 18.99, totaling around 129,000. And as you know Linda we don't comment on the valuation in our stock – nor do we disclose a detailed execution parameters for our capital investment framework. We'd caution anyone from trying to draw conclusions purely from the timing and/or magnitude of our share repurchases. We believe it's most important for our shareholders to understand that we will be disciplined and opportunistic with Mattel's capital and less important to know exactly when and why we announce the next share repurchase program or provide our detailed execution parameters but over the last five years we repurchased 104 million shares, 2 billion, 22% of our shares outstanding at an average price of $19.23.

<Q – Linda Bolton-Weiser>: Okay. Great. Can I also ask you a little bit about China and -- I mean obviously the ongoing inflationary cost pressures there are something we all are aware of, but we are hearing some additional issues, operating issues related to the Beijing Olympics including plant closures which may not apply to you so much but also shortage of some containers and all kinds of logistical problems in shipping products out of China. Are you experiencing any of that or do you expect to later on in the year?

<A – Robert Eckert>: No, Linda, we are not experiencing anything like that today. And I don't have any reason to believe that would be an issue going forward. Obviously it's something important and something we are focused on but we haven't had any issues and I don't know that anything's coming at us. And also, recognize on the receiving end we have an issue which is, it's the third or fourth year of the longshoremen's contract here in Long Beach and Los Angeles. So that's a set of negotiations that needs to take place. But at this point I don't see anything disrupting the supply chain for us.

<Q – Linda Bolton-Weiser>: Okay. And just on Barbie® and the My Scene discontinuation, can you remind us when that was discontinued and when you anniversary that discontinuation?

<A – Robert Eckert>: It will be in the U.S. in the second half of this year, we'll anniversary the discontinuation. We continue to sell My Scene internationally. It's a pretty big contributor to the brand portfolio there. And I think it may end up like our experience in action figures with a brand called Max Steel which sort of ran its course here in the U.S. but continues to do very well in Latin America, generally and Mexico specifically. So I think My Scene may end up as something that remains viable in some or all international markets. But it will cycle through here in the U.S.

<Q – Linda Bolton-Weiser>: Okay. And just on Speed Racer, can you give us a rough idea of what portion of the product line is being booked in Wheels versus entertainment?

<A – Kevin Farr>: Anything that is related primarily to vehicles is in Wheels, if vehicles is the main focus of the product. All the other products are in entertainment. So it's a --

<Q – Linda Bolton-Weiser>: So be probably more than half in Wheels. Right.

<A – Kevin Farr>: Most likely, yes.

<Q – Linda Bolton-Weiser>: And are you expecting that the Speed Racer product will detract from consumer demand for just your core Hot Wheels-type vehicles?

<A – Robert Eckert>: It hasn't to date but it is very early, and we have some good things going on in our core Hot Wheels business. The Crashers product line is off to a good start. The Trick Tracks is probably the best tracks we've had since I've been around Mattel and we also have the experience when CARS came out, it was a lot of incremental business to us and Hot Wheels held up okay. And I feel better about our core Hot Wheels business today than I have in my tenure here at Mattel. So I don't know that we'll necessarily see a lot of cannibalization, we certainly may. But I don't think that way.

<Q – Linda Bolton-Weiser>: Okay. And just on the Latin-American item that was in the other expense line, did you -- I didn't catch if you specifically quantified that item. Did you?

<A – Kevin Farr>: With regard to the line item, I think the non-operating expense was 15.8 million and that was primarily related to revaluation of U.S. dollar cash balances held by our Venezuelan subsidiary. The Venezuelan currency appreciated about 50% in the quarter which caused our U.S. dollar cash balances to be translated into less bolivars creating a paper foreign exchange loss for our Venezuelan subsidiary. There were some minor offsets to this loss elsewhere in the P&L but going forward our U.S. dollar assets and liabilities in the country should largely offset, although the offsetting gains and losses may appear on different line items in the P&L in future quarters.

<Q – Linda Bolton-Weiser>: Okay. So the vast majority of that 15.8 million was that item?

<A – Kevin Farr>: That is correct.

<Q – Linda Bolton-Weiser>: Okay.

<A – Kevin Farr>: 15.8 million was that item.

<Q – Linda Bolton-Weiser>: Oh, okay. Okay. Okay. That's all. Thanks very much.

<A – Robert Eckert>: Thanks Linda.

Operator: Okay we'll go next to Gerrick Johnson with BMO Capital Markets.

<Q – Gerrick Johnson>: Hi, good morning. CapEx did you say that was 33 million in the quarter.

<A – Kevin Farr>: Yes.

<Q – Gerrick Johnson>: Versus 24 last year. Why was that so much higher this year?

<A – Kevin Farr>: It really related to a couple of things. It related to the house of Barbie® Shanghai we are in the process of building. It also related to the movement of our American Girl® place in Chicago to a more prominent location at Water Tower Place, on Michigan Avenue and then we are renovating our design center here in the U.S. and then finally there is some incremental expenses related to manufacturing, implementing low level automation at manufacturing.

<Q – Gerrick Johnson>: Okay. So should be sort of a -- be ongoing throughout the year. So should we be planning our CapEx a little bit higher than we did last year?

<A – Kevin Farr>: I think 2008 spending should be above our 2007 spending but we'll likely be below our long-term range of 180 to 200 million. And again I think we'll continue to be spending in House of Barbie®, American Girl® place, in Chicago as well as renovating our design center.

<Q – Gerrick Johnson>: Okay. Your decision to change the Barbie® girls' business model to a subscription base model I guess that means the MP3 player is somewhat obsolete now. So do you have, has there been any impact of that in your first quarter numbers or do you foresee any impact from that flowing through maybe in the second quarter?

<A – Robert Eckert>: No I think any impact will be minor.

<Q – Gerrick Johnson>: And American Girl® what was the catalog business doing? Was that up or down for the quarter?

<A – Robert Eckert>: I think it was, if I recall -- was pretty close to flattish.

<Q – Gerrick Johnson>: Okay.

<A – Robert Eckert>: So we got most of the growth from the retail side of the business.

<Q – Gerrick Johnson>: Right.

<A – Robert Eckert>: And I think flattish is probably a little better than the trend has been in the last several quarters. But that is the one business where we probably do benefit from an early Easter since we are selling directly to consumers.

<Q – Gerrick Johnson>: Right. Okay. And lastly I just want to inquire about your supplier base in China and is it pretty much where you want it to be, are you still in the process of finding or switching suppliers, finding new suppliers after, you know, what happened over the last several months?

<A – Robert Eckert>: It will continue to evolve. We have fewer suppliers today or vendors than we did in prior years. And my expectation is that trend will continue. But you know, that's going to be a long-term trend.

<Q – Gerrick Johnson>: Okay. And should that have any impact how you flow goods should you -- it take you a little bit longer perhaps to get things to market or should it be pretty much business as usual.

<A – Robert Eckert>: It should be business as usual.

<Q – Gerrick Johnson>: Okay.

<A – Robert Eckert>: We incorporate those kind of things in when we make the specific decisions.

<Q – Gerrick Johnson>: All right. Thank you very much.

<A – Robert Eckert>: Thanks Gerrick.

Operator: We'll go next to John Taylor with Arcadia.

<Q – John Taylor>: Hi. Actually Gerrick just asked my question. So let me try it a different way. If, in talking about Chinese capacity or capacity in general, the manufacturer, I wonder if the concentration and maybe just less excess capacity in the system over there has any implications for putting a cap on upside, should one or more of your products actually do better and start to take off a little bit.

<A – Robert Eckert>: Yes, it does. J.T. I think that's a good way to look at it is there -- my belief is there is less capacity in the system than there used to be. And you know, as a result of that and several other things, you will probably see our inventory rising a little faster throughout the year than usual. So we'll be bringing in goods earlier than we have in historical years. And I don't know if that will change our total inventory position, but I think we are going to be flowing goods earlier here to the U.S.

<Q – John Taylor>: Okay. Great. And then in terms of the theatrical properties are any one of those three that you have got, do you think, excellent candidates for a solid, second bite at the apple in the holiday timeframe, DVD release?

<A – Robert Eckert>: Boy your guess is better than mine on that. Certainly CARS did very well through the second year. And despite the fact that we had a decline here in the U.S., it continues to be one of our most important brands across the portfolio. So I would love to see one or more of these continue. You know, Batman® is an Evergreen property and we sell some Batman® even in non-movie years so I think Batman® will be here but I'd love to see one or both of the other ones continue to do well.

<Q – John Taylor>: If you were to tie those two questions together and look at potential upside capacity is anyone or more of those better or worse off?

<A – Robert Eckert>: I don't think it is -- I don't think either one is particularly better or worse off.

<Q – John Taylor>: Okay.

<A – Robert Eckert>: Kevin you --

<A – Kevin Farr>: I don't think so either, Bob.

<Q – John Taylor>: Okay, very good. Thanks.

Operator: And it appears we have no further questions at this time. I would like to turn the call over to Mr. Salop for any additional or closing remarks.

Michael A. Salop, Treasurer and Senior Vice President, Investor Relations

Thanks Melissa, there will be a replay of this call available beginning at 11:30am eastern time today. The number for the replay is 719-457-0820 and the passcode is 3246404. Thanks for participating in today's call.

Operator: And once again that does conclude today's conference. We do appreciate your participation. You may disconnect at this time.