

Product Review and Prospects

During 2002 significant progress was made in building profitable, multi-year brands. In 2003 Playmates Toys will continue to focus its product selection and development efforts on the development and growth of promotional brands offering strong margin and exceptional play value.

The growth in sales of Disney products in 2002 exceeded expectations. The *Before Once Upon a Time Little Princesses* collection of Disney Princess toddler dolls launched to immediate success and established a new key segment in the Disney product



lineup. The 2003 collection will be expanded to feature *Little Sleeping Beauty* and *Little Snow White*. The *Disney Waterbabies* business is another segment of the brand that experienced substantial growth in 2002 and will be extended with new classic Disney characters in 2003. The lead promoted Disney Princess doll for 2003, *Dancing Cinderella*, comes to life in a magical and visual way when activated by the little girl. New categories of products will be introduced in 2003. *Stylin' Fun Princesses* capture the beauty of the Disney Princesses and offer endless hair styling and magical color change make-up play. *Perfectly Princess* is the first collection of Disney Princess dolls, fashions and furniture accessories to be executed entirely in soft materials with a new, stylized look for little girls to create the perfect royal story and play environment.

The classic **Waterbabies** business had another remarkable year in 2002 with aggregate sales over eleven years in excess of 14 million dolls. 2003 will see the introduction of Waterbabies associated with new licensed characters including **Care Bears** and **Clifford The Big Red Dog**.

Playmates once again raises the bar in the doll category with the introduction this Fall of **Baby Bright Eyes**. Baby Bright Eyes is the first doll to feature patented *NanoMuscle* technology that brings this beautiful doll's eyes to life with highly realistic, fluid and magical movements and expressions. Baby Bright Eyes responds with her eyes and baby sounds as little girls play with her.



The Simpsons line of collectible products recorded record sales in 2002. New figures and playsets based on the 20th Century FOX prime time animated series, celebrating its 14th season and 300th episode in 2003, will be released in the year ahead. The line will be extended with new products, including a new "voice recognition" figure assortment, that will appeal to broader consumer demography. **ProZone**, a line of collectible sports figures and electronic environments utilizing Playmates Toys' proprietary *Intelli-tronic* technology established with The Simpsons products, has been launched in spring 2003 to positive trade support.

Also in spring 2003, Playmates Toys led the market to fill a void in the micro scale vehicle category with the introduction of **Speedeez**. The Speedeez vehicles come built-in with a patented *Turbo Ball* propulsion system that enables speed and performance never before possible in the micro scale. This brand represents the strategic initiative to capture and build a sustainable position in the important vehicle category.

Throughout 2002 Playmates Toys partnered with Mirage Studios and 4Kids Entertainment in the development of a new, updated version of the **Teenage Mutant Ninja Turtles**. The first episode of a planned 52-episode series aired on 8 February 2003 on *FOX BOX*, a Saturday morning slate of boys-targeted action programming on the US national FOX Network. Playmates Toys



positioned itself to maximize the impact of this much anticipated new launch by shipping products in December 2002 so that they were displayed on retail shelves by January 2003, in advance of the February premier. Retail sales activities in January, preceding both the show and the advertising campaign, exceeded both management and trade expectations. As the master toy licensee, Playmates Toys will continue to develop products in a wide range of categories to fully exploit the multi-year, worldwide potential of this timeless property.

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Playmates Toys has entered into a number of strategic partnerships outside the US with leading national or regional distributors for the global marketing and distribution of the Teenage Mutant Ninja Turtles. These relationships will not only strengthen the worldwide distribution of Playmates Toys products but also facilitate the identification and joint development of new product lines.

Playmates Toys will continue to develop and market innovative, entertaining and value-priced toys, games and collectibles in a balanced portfolio of licensed and proprietary product lines, with the focus on selective and strategic investments in concepts with multi-year potential. The product portfolio will be balanced with offerings that appeal to boys, girls and the sophisticated collectors.

