



Company Overview

LeapFrog Enterprises, Inc. is the leader in educational entertainment for children. LeapFrog’s award-winning product portfolio helps millions of children achieve their potential by delivering best-in-class curriculum through engaging content, fun multimedia learning platforms and toys. The Learning Path, LeapFrog’s proprietary online destination for parents, provides personalized feedback on a child’s learning progress and offers recommendations to enhance each child’s learning experience. Through the power of play, LeapFrog’s products and curriculum help children of all ages prepare for school and life success. LeapFrog’s products are available in more than 45 countries and have been used by teachers in more than 100,000 U.S. classrooms. LeapFrog is based in Emeryville, California, and was founded in 1995 by a father who revolutionized technology-based learning solutions to help his child learn how to read. See the learning at leapfrog.com.

Our Mission

To create significant shareholder value by leveraging our deep educational entertainment heritage to create unique learning experiences that help children achieve their potential.

Investment Highlights

- **Strong and growing global demand for supplemental education**
- **LeapFrog is the leader in children’s educational entertainment with an exceptional brand**
 - ✓ More than 18 years of experience creating revolutionary learning solutions
 - ✓ Market-leading learning solutions
 - ✓ Received over 1200 awards and inclusions on top lists from parents, teachers and the industry
 - ✓ Outstanding quality: more than 90% of product reviews receive ratings of four stars or higher
 - ✓ Proprietary curricula of more than 2600 skills developed over 11 years
 - ✓ On-site kid lab and in-home product testing
 - ✓ Provide personalized learning experiences with auto-leveling, hints and tutorials because every child is unique
- **Connected consumer base of 13M+ parents**
- **LeapFrog is undergoing a significant transformation**
 - ✓ From educational toys to educational entertainment with a far greater content focus
 - ✓ Opened platforms to 3rd party content
 - ✓ Building community and richer personalized insight for parents about their child’s learning
 - ✓ New strong and experienced management team
- **Delivering strong sales, earnings and cash flow growth while investing for the future**

Senior Management

John Barbour, *Chief Executive Officer*
Joined LeapFrog in 2011 – From Retirement

Ray Arthur, *Chief Financial Officer*
Joined LeapFrog in 2012 – From Pep Boys

Greg Ahearn, *Chief Marketing Officer*
Joined LeapFrog in 2012 – From Toys ‘R’ Us

Ken Adams, *Senior Vice President of Sales*
Joined LeapFrog in 2013 – From Hasbro

Brad Rodriques, *Senior Vice President and General Manager of Digital and Community*
Joined LeapFrog in 2012 – From Nike

Chris Spalding, *Senior Vice President and General Manager EMEA*
Joined LeapFrog in 2009 – From Metro International Media

Saydeah Howard, *Vice President Human Resources and Organizational Development*
Joined LeapFrog in 2010 – From Russell Reynolds

Robert Lattuga, *Vice President and General Counsel*
Joined LeapFrog in 2004 – From Venture Law Group

Investor Relations Information

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Financial Performance

<i>\$ in millions, except per share data</i>	2009	2010	2011	2012	2009-2012
Net Sales	\$380	\$433	\$455	\$581	+15% CAGR
U.S. Segment Net Sales	\$307	\$344	\$342	\$425	+11% CAGR
International Net Sales	\$73	\$88	\$113	\$156	+29% CAGR
Operating Income (Loss)	(\$8)	\$8	\$24	\$64	+\$72 million
Operating Margin	(2%)	2%	5%	11%	+13 points
Net Income (Loss)	(\$3)	\$5	\$20	\$86	+\$89 million
EPS (Loss)	(\$0.04)	\$0.08	\$0.30	\$1.24	+\$1.28
Normalized EPS (Loss)*	(\$0.10)	\$0.06	\$0.18	\$0.56	+\$0.66
Adjusted EBITDA*	\$23	\$34	\$49	\$93	+60% CAGR
Cash & Equivalents	\$62	\$19	\$72	\$120	+25% CAGR
Debt	\$0	\$0	\$0	\$0	n/a

*Normalized EPS (Loss) and Adjusted EBITDA are non-GAAP financial measures. Please see the following pages for a discussion of these measures and their reconciliation to the most appropriate GAAP measure.

More Than 18 Years of Experience Creating Revolutionary Learning Platforms

"Children learn best when they're having fun. The secret is to blend fun and education so that they don't even know that they're learning."
Mike Wood

Market-Leading Learning Solutions

#1 Selling Preschool Electronic Learning Toy	#1 Selling Learn-to-Read System	#1 Selling Learning Game System	#1 Selling Kids' Learning Tablets	#1 Selling Learning Content

Pure Learning Fun



*Based on NPD Group/U.S. Retail Tracking Services, annual 2012. Please see the following pages for additional source information.

The Best Educational Entertainment Library:

Rich Educational Content

Nearly 1000 games, eBooks, videos, music & more by the end of 2013!



Cautionary Statement under the Private Securities Litigation Reform Act of 1995

This fact sheet includes forward-looking statements about management's expectations, including expectations regarding financial results and planned products and features. Our actual results may differ materially from those expressed or implied by such forward-looking statements. Some of the risks that could cause our results to differ include the deterioration of global economic conditions, highly changeable consumer preferences, new products and services, reliance on a small group of retailers, competition, seasonality, consumer acceptance of downloadable content and data collection, system failures, component and raw material costs and our reliance on a limited number of manufacturers. These risks and others are discussed under "Risk Factors" in our most recent Form 10-K filed with the SEC. LeapFrog makes these statements as of today, September 12, 2013, and disclaims any duty to update them.

Additional Source Information

- U.S. Source: #1 Preschool Electronic Learning Toy based on The NPD Group/Retail Tracking Service as defined in dollars, annual 2012.
- U.S. Source: #1 Learn-to-Read System based on The NPD Group/Retail Tracking Service; Preschool Electronic Learning, Learn-to-Read brands as defined by LeapFrog in dollars, annual 2012.
- U.S. Source: #1 Learning Game System based on The NPD Group/Retail Tracking Service; Preschool Electronic Learning, Educational Gaming System brands as defined by adding LeapsterGS Explorer and Leapster Explorer dollars, annual 2012.
- U.S. Source: #1 Kids' Learning Tablet based on The NPD Group/Retail Tracking Service; Preschool Electronic Learning, Kids Learning Tablet brands as defined by LeapFrog in dollars, annual 2012.
- U.S. Source: LeapFrog Explorer Licensed and Non-Licensed Software Assortment was the #1 Toy in the U.S. based on The NPD Group/Retail Tracking Service as defined in dollars, annual 2012.

Discussion of Management's Use Of Non-GAAP Financial Measures and Reconciliation of Net Income to Adjusted EBITDA (Non-GAAP)

This fact sheet includes a non-GAAP financial measure, specifically adjusted EBITDA which is defined as earnings (or net income) before interest, taxes, depreciation and amortization, other income/expense, net, and stock-based compensation. As required by SEC rules, we have provided a schedule with a reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net income. Management believes that adjusted EBITDA is one of the appropriate measures for evaluating the operating performance of the Company because it reflects the resources available for strategic opportunities including, among others, to invest in the business, strengthen the balance sheet, and make strategic acquisitions. However, this measure should be considered in addition to, not as a substitute for, or superior to, net income or other measures of financial performance prepared in accordance with GAAP as more fully discussed in the Company's financial statements and filings with the SEC. As used herein, "GAAP" refers to accounting principles generally accepted in the United States of America.

LEAPFROG ENTERPRISES, INC.
SUPPLEMENTAL DISCLOSURE REGARDING NON-GAAP FINANCIAL INFORMATION
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA
(In thousands)
(Unaudited)

The following table presents a reconciliation of net income, a GAAP measure, to adjusted EBITDA, a non-GAAP measure. Adjusted EBITDA is defined as earnings (or net income) before interest, taxes, depreciation and amortization, other income/expense, net, and stock-based compensation.

	Twelve Months Ended December 31,			
	2009	2010	2011	2012
Net income - GAAP	\$ (2,688)	\$ 4,945	\$ 19,902	\$ 86,452
Interest income	(556)	(203)	(136)	(241)
Interest expense	60	243	259	50
(Benefit from) provision for income taxes	(7,188)	1,030	(1,137)	(24,504)
Depreciation and amortization	20,495	20,337	19,995	22,084
Other income/expense, net	1,959	1,790	4,809	2,309
Stock-based compensation	10,696	6,172	5,562	6,991
Adjusted EBITDA - Non-GAAP	\$ 22,778	\$ 34,314	\$ 49,254	\$ 93,141

Discussion of Management's Use Of Non-GAAP Financial Measures and Reconciliation of Net Income (GAAP) to Normalized Net Income (Non-GAAP)

This fact sheet includes non-GAAP financial measures, specifically normalized net income (loss) and normalized net income (loss) per basic or diluted share, also referred to as normalized EPS or normalized loss per share.

Normalized net income (loss) is calculated as net income (loss) adjusted to reflect an effective 37.5% tax rate. Normalized net income (loss) per basic or diluted share is calculated as normalized net income (loss) divided by weighted-average basic or diluted shares outstanding, as applicable. As required by SEC rules, we have provided a schedule with a reconciliation of normalized net income (loss) and normalized net income (loss) per basic and diluted share to the most directly comparable GAAP measures, net income (loss) and net income (loss) per basic and diluted share.

Management believes that normalized net income (loss) and normalized net income (loss) per basic or diluted share are some of the appropriate measures for evaluating the operating performance of the Company because of the significant swing in net income (loss) and net income (loss) per share as a result of the deferred tax valuation allowance release and other discrete tax items, and therefore, provides a more comparable measure of year-over-year operating results. However, these non-GAAP measures should be considered in addition to, not as a substitute for, or superior to, net income or other measures of financial performance prepared in accordance with GAAP as more fully discussed in the Company's financial statements and filings with the SEC. As used herein, "GAAP" refers to accounting principles generally accepted in the United States of America.

LEAPFROG ENTERPRISES, INC. SUPPLEMENTAL DISCLOSURE REGARDING NON-GAAP FINANCIAL INFORMATION RECONCILIATION OF GAAP NET (LOSS) INCOME TO NORMALIZED NET (LOSS) INCOME AND GAAP NET (LOSS) INCOME PER SHARE TO NORMALIZED NET (LOSS) INCOME PER SHARE (In thousands) (Unaudited)

The following table presents a reconciliation of net (loss) income, a GAAP measure, to normalized net (loss) income, a non-GAAP measure, where available. Normalized net (loss) income is defined as net (loss) income adjusted to reflect an effective 37.5% tax rate. Normalized net (loss) income per share is calculated as normalized net (loss) income divided by weighted-average basic or diluted shares outstanding, as applicable.

	Twelve Months Ended December 31,			
	2009	2010	2011	2012
Net (loss) income - GAAP	\$ (2,688)	\$ 4,945	\$ 19,902	\$ 86,452
(Benefit from) provision for income taxes	(7,188)	1,030	(1,137)	(24,504)
(Loss) income before income taxes	<u>(9,876)</u>	<u>5,975</u>	<u>18,765</u>	<u>61,948</u>
Effective tax (benefit) expense at 37.5% rate	(3,704)	2,241	7,037	23,231
Normalized net (loss) income - Non-GAAP	<u>\$ (6,173)</u>	<u>\$ 3,734</u>	<u>\$ 11,728</u>	<u>\$ 38,717</u>
Net (loss) income per share - GAAP:				
Class A and B - basic	\$ (0.04)	\$ 0.08	\$ 0.30	\$ 1.29
Class A and B - diluted	\$ (0.04)	\$ 0.08	\$ 0.30	\$ 1.24
Normalized net (loss) income per share - Non-GAAP:				
Class A and B - basic	\$ (0.10)	\$ 0.06	\$ 0.18	\$ 0.58
Class A and B - diluted	\$ (0.10)	\$ 0.06	\$ 0.18	\$ 0.56
Weighted-average shares used to calculate net income (loss) per share:				
Class A and B - basic	63,914	64,368	65,406	67,100
Class A and B - diluted	63,914	65,627	66,332	69,720