SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002 Commission file number 1-6682

HASBRO, INC.

(Exact Name of Registrant, As Specified in its Charter)

Rhode Island	05-0155090
(State of Incorporation)	(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02862

(Address of Principal Executive Offices, Including Zip Code)

(401) 431-8697

(Registrant's Phone Number, Including Area Code)

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 X or No

The number of shares of Common Stock, par value $.50 per share, outstanding as of April 28, 2002 was 173,109,903.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Thousands of Dollars Except Share Data)
(Unaudited)

Assets	March 31, 2002	Apr. 1, 2001	Dec. 30, 2001
Current assets			
Cash and cash equivalents	$ 355,112	180,766	233,095
Accounts receivable, less allowance for doubtful accounts of $47,900, $55,300 and $49,300	287,379	255,450	572,499
Inventories:			
Finished products	198,134	257,447	180,286
Work in process	16,518	22,508	19,639
Raw materials	17,518	26,669	17,554
Total inventories	232,170	306,624	217,479
Deferred income taxes	106,106	153,583	103,657
Prepaid expenses	217,642	237,013	241,888
Total current assets	1,198,409	1,133,436	1,368,618

Property, plant and equipment, net	227,086	279,184	235,360
Other assets			
Goodwill, less accumulated amortization of $269,448, $236,203 and $269,496	760,200	791,409	761,575
Other intangibles, less accumulated amortization of $419,531, $336,696 and $398,183	780,822	872,809	805,027
Other	168,031	286,120	198,399
Total other assets	1,709,053	1,950,338	1,765,001
Total assets	$3,134,548	3,362,958	3,368,979

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets, Continued

(Thousands of Dollars Except Share Data)
(Unaudited)

Liabilities and Shareholders' Equity	March 31, 2002	Apr. 1, 2001	Dec. 30, 2001
Current liabilities			
Short-term borrowings	$ 33,728	90,483	34,024
Current installments of long-term debt	327,167	1,746	2,304
Accounts payable	93,547	129,591	123,109
Accrued liabilities	419,821	583,443	599,154
Total current liabilities	874,263	805,263	758,591
Long-term debt	840,399	1,167,528	1,165,649
Deferred liabilities	94,567	116,784	91,875
Total liabilities	1,809,229	2,089,575	2,016,115
Shareholders' equity			
Preference stock of $2.50 par value. Authorized 5,000,000 shares; none issued	-	-	-
Common stock of $.50 par value. Authorized 600,000,000 shares; issued 209,694,630 at March 31, 2002, April 1, 2001 and December 30, 2001	104,847	104,847	104,847
Additional paid-in capital	455,824	463,468	457,544
Deferred compensation	(2,572)	(5,391)	(2,996)
Retained earnings	1,600,152	1,553,199	1,622,402
Accumulated other comprehensive earnings	(75,258)	(69,967)	(68,398)
Treasury stock, at cost, 36,611,811 at March 31, 2002, 37,229,915 at April 1, 2001 and 36,736,156 shares at December 30, 2001	(757,674)	(772,773)	(760,535)
Total shareholders' equity	1,325,319	1,273,383	1,352,864
Total liabilities and shareholders' equity	$3,134,548	3,362,958	3,368,979

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(Thousands of Dollars Except Per Share Data)
(Unaudited)

	Quarter Ended	
	March 31, 2002	Apr. 1, 2001
Net revenues	$452,267	463,286
Cost of sales	166,414	189,805

Gross profit	285,853	273,481
Expenses		
Amortization	21,449	29,421
Royalties, research and development	84,669	56,735
Advertising	46,889	47,613
Selling, distribution and administration	139,191	153,819
Total expenses	292,198	287,588
Operating profit (loss)	(6,345)	(14,107)
Nonoperating (income) expense		
Interest expense	19,542	25,890
Other (income) expense, net	(2,835)	(4,765)
Total nonoperating (income) expense	16,707	21,125
Earnings (loss) before income taxes and cumulative effect of accounting change	(23,052)	(35,232)
Income taxes	(5,994)	(11,274)
Earnings (loss) before cumulative effect of accounting change	(17,058)	(23,958)
Cumulative effect of accounting change	-	(1,066)
Net earnings (loss)	$(17,058)	(25,024)
Basic and diluted per common share		
Earnings (loss) before cumulative effect of accounting change	$ (.10)	(.14)
Cumulative effect of accounting change	-	(.01)
Net earnings (loss)	$ (.10)	(.15)
Cash dividends declared per common share	$ .03	.03

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2002 and April 1, 2001
(Thousands of Dollars)
(Unaudited)

	2002	2001
Cash flows from operating activities		
Net earnings (loss)	$(17,058)	(25,024)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of plant and equipment	16,950	19,113
Other amortization	21,449	29,421
Deferred income taxes	8,736	40,810
Compensation earned under restricted stock plans	537	1,088
Change in operating assets and liabilities (other than cash and cash equivalents):		
Decrease in accounts receivable	282,100	419,897
Decrease (increase) in inventories	(15,887)	18,671
Decrease (increase) in prepaid expenses	31,256	(23,422)
Decrease in accounts payable and accrued liabilities	(194,032)	(278,491)
Other	3,829	(8,291)
Net cash provided by operating activities	137,880	193,772
Cash flows from investing activities		
Additions to property, plant and equipment	(10,270)	(10,424)
Investments and acquisitions, net of cash acquired	(2,419)	-
Other	(2,596)	13,945
Net cash provided (utilized) by investing activities	(15,285)	3,521
Cash flows from financing activities		
Repayments of borrowings with original maturities of more than three months	-	(25,000)
Net repayments of other short-term borrowings	(370)	(107,688)
Stock option transactions	1,028	472
Dividends paid	(5,189)	(5,173)
Net cash utilized by financing activities	(4,531)	(137,389)

	2002	2001
Effect of exchange rate changes on cash	3,953	(6,253)
Increase in cash and cash equivalents	122,017	53,651
Cash and cash equivalents at beginning of year	233,095	127,115
Cash and cash equivalents at end of period	$355,112	180,766

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
Three Months Ended March 31, 2002 and April 1, 2001
(Thousands of Dollars)
(Unaudited)

	2002	2001
Supplemental information		
Cash paid (received) during the period for:		
Interest	$ 31,309	42,539
Income taxes	$(45,906)	(58,986)

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings
(Thousands of Dollars)
(Unaudited)

	Quarter Ended	
	March 31, 2002	Apr. 1, 2001
Net earnings (loss)	$ (17,058)	(25,024)
Cumulative effect of accounting change	-	(753)
Other comprehensive earnings (loss)	(6,860)	(24,496)
Total comprehensive earnings (loss)	$ (23,918)	(50,273)

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements

(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(1) In the opinion of management and subject to year-end audit, the accompanying unaudited interim financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of March 31, 2002 and April 1, 2001, and the results of operations and cash flows for the periods then ended.

The quarters ended March 31, 2002 and April 1, 2001 are thirteen week periods.

The results of operations for the quarter ended March 31, 2002 are not necessarily indicative of results to be expected for the full year.

(2) Earnings per share data for the fiscal quarters ended March 31, 2002 and April 1, 2001 were computed as follows:

	2002		2001	
	Basic	Diluted	Basic	Diluted
Earnings (loss) before cumulative effect of accounting change	$(17,058)	(17,058)	(23,958)	(23,958)
Average shares outstanding	172,594	172,594	171,933	171,933

(Thousands of Dollars and Shares Except Per Share Data)

Effect of dilutive securities;				
Options and warrants	-	-	-	-
Equivalent shares	172,594	172,594	171,933	171,933
Earnings (loss) per share before cumulative effect of accounting change	$ (.10)	(.10)	(.14)	(.14)

Options and warrants to acquire shares totaling 36,409 at March 31, 2002 and 38,774 at April 1, 2001, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. The Company also has contingent convertible debt under which potentially issuable shares were not included as the contingency features were not met. If the contingent conversion features are met, the impact of conversion of the debentures will result in an additional 11,574 shares being included in the calculation of diluted earnings per share.

(3) Other comprehensive earnings (loss) for the quarters ended March 31, 2002 and April 1, 2001 consist of the following:

	2002	2001
Foreign currency translation adjustments	$(6,135)	(19,764)
Changes in value of available-for-sale securities	(1,417)	(8,574)
Gains on cash flow hedging activities, net of tax	943	3,810
Reclassifications to income	(251)	32
	$(6,860)	(24,496)

Reclassification adjustments from other comprehensive earnings to earnings of $251 for the quarter ended March 31, 2002 represent net gains on cash flow hedging derivatives for which the related transaction has impacted earnings and was reflected in cost of sales. This $255 gain is net of losses on cash flow hedges reclassified to earnings as the result of hedge ineffectiveness of $4. Losses relating to hedge ineffectiveness were $32 for the quarter ended April 1, 2001. Additionally, in the quarter ended April 1, 2001, a loss of $60 was recognized in earnings relating to changes in fair value of derivatives which the Company excluded from its assessment of hedge effectiveness. There was no such amount for the quarter ended March 31, 2002. The Company expects the remaining deferred gain of $2,669 on derivative hedging instruments in accumulated other comprehensive earnings to be reclassified to earnings within the next twelve months. The remainder of the balance in accumulated other comprehensive earnings relates primarily to losses on the translation of foreign currency financial statements.

(4) Effective at the beginning of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, "Goodwill and other Intangible Assets." As a result of adopting these statements, the Company's goodwill and certain intangible assets are no longer amortized. In addition, the Company evaluated its existing intangible assets and goodwill acquired in prior purchase business combinations based on the requirements included in Statement 141 and reassessed the useful lives and residual values of those intangible assets other than goodwill. As a result of this assessment, the lives of product rights totaling $75,700 obtained in the Company's acquisition of Milton Bradley in 1984 and Tonka in 1991 were adjusted to an indefinite life and tested for impairment in accordance with the provisions of Statement 142. No other reclassifications or adjustments of remaining useful lives were made as a result of this assessment.

Statement 142 requires the Company, within six months of the date of adoption, to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. If indicators exist that goodwill is impaired, the Company has up to an additional six months to calculate the impairment of goodwill. The Company is in the process of performing the initial assessment. Because of the extensive efforts needed to perform this assessment, the Company cannot estimate the impact, if any, at this time of adopting the provisions of Statement 142. Upon completion of all required assessments, should an impairment arise, this transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statement of operations.

(Thousands of Dollars and Shares Except Per Share Data)

The following table provides a reconciliation of the reported net income by quarter for 2001 to adjusted net income had SFAS 142 been applied as of the beginning of fiscal year 2001:

	Quarter				
	First	Second	Third	Fourth	Full Year
Reported net earnings (loss)	$(25,024)	(18,331)	50,602	52,485	59,732
Add back amortization:					
Goodwill	10,564	10,209	10,902	12,175	43,850
Indefinite life intangible assets	2,451	2,451	2,451	2,452	9,805
Tax impact	(5,142)	(4,680)	(412)	1,592	(8,642)
Adjusted net earnings (loss)	$(17,151)	(10,351)	63,543	68,704	104,745
Basic and Diluted Earnings per Share					
Reported net earnings (loss)	$ (.15)	(.11)	.29	.30	.35
Add back amortization:					
Goodwill	.06	.06	.06	.07	.25
Indefinite life intangible assets	.02	.02	.02	.02	.06
Tax impact	(.03)	(.03)	-	.01	(.05)
Adjusted net earnings (loss)	$ (.10)	(.06)	.37	.40	.61

(5) Hasbro is a worldwide leader in children's and family leisure time and entertainment products and services, including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. The Company's main reportable segments are U.S. Toys, Games, and International. The Company has two other segments, Operations and Retail, which meet the quantitative thresholds for reportable segments. In 2002, the Company has further refined its business segments. This refinement includes the realignment of the U.S. Tiger toy lines to the U.S. Toys segment, from the Games segment where all Tiger products had been included. Certain Tiger electronic games, primarily handheld, remain in the Games segment. In addition, the International operations of Tiger and Wizards of the Coast are now managed as part of the International segment beginning in January 2002. The results of these units had been included in and managed as part of the Games segment. Prior year amounts have been reclassified to reflect the Company's current focus.

In the United States, the U.S. Toys segment includes the design, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, preschool toys and infant products, creative play products, electronic interactive products, children's consumer electronics, electronic learning aids, and toy-related specialty products. The Games segment includes the development, manufacturing, marketing and selling of traditional board games and puzzles, handheld electronic games, trading card and role-playing games. Within the International segment, the Company develops, manufactures, markets and sells both toy and certain game products in non-U.S. markets. The Operations segment sources product for the majority of the Company's segments. The Retail segment operates retail shops, which sell games products and offers an area for organized play of trading card and role-playing games. The Company also has other segments which license out certain toy and game properties. These other segments do not meet the quantitative thresholds for reportable segments and have been combined for reporting purposes.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are general corporate expenses, the elimination of intersegment transactions and assets not identified with a specific segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost.

(Thousands of Dollars and Shares Except Per Share Data)

The accounting policies of the segments are the same as those described in note 1 to the Company's consolidated financial statements for the fiscal year ended December 30, 2001, except for the Company's adoption of Statement of Financial Accounting Standards No. 142 described in Note 4.

Results shown for the quarter are not necessarily representative of those which may be expected for the full year 2002 nor were those of the 2001 first quarter representative of those actually experienced for the full year 2001. Similarly, such results are not necessarily those which would be achieved were each segment an unaffiliated business enterprise.

Information by segment and a reconciliation to reported amounts for the three months ended March 31, 2002 and April 1, 2001 are as follows:

	Quarter Ended March 31, 2002		Quarter Ended April 1, 2001	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. Toys	$ 200,860	1,636	158,504	11,727
Games	92,849	4,243	124,620	7,207
International	136,145	17,297	156,864	16,203
Operations (a)	2,678	93,580	3,486	52,072
Retail	8,868	-	9,485	-
Other segments	10,867	2,578	10,327	709
Corporate and eliminations	-	(119,334)	-	(87,918)
	$ 452,267	-	463,286	-

	Quarter ended March 31, 2002	Quarter ended April 1, 2001
Operating profit (loss)		
U.S. Toys	$ 26,240	(14,956)
Games	(2,501)	16,092
International	(29,090)	(22,755)
Operations	(2,771)	(3,545)
Retail	(5,422)	(6,805)
Other segments	6,393	5,955
Corporate and eliminations	806	11,907
	$ (6,345)	(14,107)

	March 31, 2002	April 1, 2001
Total assets		
U.S. Toys	$ 870,981	995,538
Games	1,045,987	1,011,243
International	1,032,991	1,159,945
Operations	477,112	371,360
Retail	25,172	43,184
Other segments	47,037	21,311
Corporate and eliminations	(364,732)	(239,623)
	$3,134,548	3,362,958

(a) The Operations segment derives substantially all of its revenues and operating results from intersegment activities.

The following table presents consolidated net revenues by class of principal products for the quarters ended March 31, 2002 and April 1, 2001:

	2002	2001
Boys toys	$ 188,800	85,100
Games and puzzles	151,000	204,100
Preschool toys	33,200	28,300

Creative play	26,300	40,100
Girls toys	12,000	9,100
Other	40,967	96,586
Net revenues	$ 452,267	463,286

(6) Effective December 31, 2001, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets. The adoption of this statement did not have an impact on the Company's consolidated results of operations and financial position.

Also effective December 31, 2001, the Company adopted the remaining provisions of the Emerging Issues Task Force Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" (Issue No. 01-9), which addresses vendor recognition, reporting characterization, timing of recognition and classification in the statement of operations of certain consideration given to a customer in connection with the sale of the vendor's products. The adoption of these provisions did not materially impact revenue and expense classifications in the statement of operations or reported net earnings.

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

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations

(Thousands of Dollars Except Per Share Data)

RESULTS OF OPERATIONS

Net loss for the first quarter of 2002 was $(17,058) compared with $(25,024) in the first quarter of 2001. Basic and diluted loss per share for the quarter was $(.10) in 2002 compared with $(.15) in 2001. The net loss and basic and diluted earnings per share for 2001 include a cumulative effect of accounting change of $(1,066) or $(.01) per share relating to the adoption of SFAS 133.

Consolidated net revenues for the quarter ended March 31, 2002 were $452,267 compared to $463,286 for the quarter ended April 1, 2001, a decrease of 2%. Most of the Company's revenues and operating earnings are derived from its three principal segments, U.S. Toys, Games and International. In 2002, the Company has reclassified its segment results for 2001 to reflect the realignment of certain operating divisions within its major segments. Toy lines included in the U.S. Tiger product lines have been reclassed to the U.S. Toys segment from the Games segment, where all Tiger products had been included. Certain Tiger electronic games, primarily handheld, remain in the Games segment. In addition, the international operations of Tiger and Wizards of the Coast, previously managed as part of the Games segment, are now managed as part of the International segment.

U.S. TOYS

U.S. Toys net revenues increased 27% from $158,504 for the quarter ended April 1, 2001 to $200,860 for the quarter ended March 31, 2002. The increase was primarily due to shipments of products related to STAR WARS: EPISODE II: ATTACK OF THE CLONES, which is scheduled for release on May 16, 2002. The increase is also partly due to shipments of product related to BOB THE BUILDER as well as increased sales of certain core products, including GI JOE and TRANSFORMERS products. These increases were partially offset by decreased sales of electronic interactive products, such as POO-CHI, as well as decreased sales of creative play products. U.S. Toys operating profit increased from an operating loss of $(14,956) for the quarter ended April 1, 2001 to an operating profit of $26,240 for the quarter ended March 31, 2002. This increase was primarily due to increased revenues combined with decreased selling, distribution, and administrative expenses. Decreased selling, distribution and administration costs resulted from the Company's cost reduction initiatives, including the combination of its U.S. Toys group in essentially one location, a process begun in late 2000. During the remainder of 2002, the Company expects higher sales of STAR WARS related products due to the theatrical release of STAR WARS: EPISODE II: ATTACK OF THE CLONES, in May. Sales of product related to entertainment-based properties, such as STAR WARS, typically carry a higher gross margin. These products also typically carry a higher royalty rate and the resulting operating profit is not as high as it is for revenues derived from the sale of owned brands.

Higher amortization expense relating to the product rights associated with STAR WARS was offset by decreased amortization of goodwill and product rights deemed to have an indefinite life as the result of the Company's adoption of Statement of Financial Accounting Standards No. 142 ("FAS 142") at the beginning of fiscal 2002. FAS 142 eliminates the amortization of goodwill and certain intangibles deemed to have an indefinite life.

GAMES

Games net revenues decreased by 25% from $124,620 for the quarter ended April 1, 2001 to $92,849 for the quarter ended March 31, 2002. Approximately 64% of this decrease relates to decreased sales of POKEMON and MAGIC: THE GATHERING trading card games. The decrease in MAGIC: THE GATHERING is principally due to an additional release in 2001 versus 2002. The remaining decrease is primarily due to decreased sales of traditional board games offset somewhat by sales of STAR WARS and HARRY POTTER trading card games. Games operating profit decreased from an operating profit of $16,092 for the quarter ended April 1, 2001 to an operating loss of $(2,501) for the quarter ended March 31, 2002. The decrease in operating profit was primarily due to decreased gross margin as the result of the decrease in sales as well as increased research and development expenses. Partially offsetting these factors were decreased selling, distribution and administrative expenses primarily due to the Company's cost reduction initiatives, and reduced intangible amortization expense as the result of the adoption of Statement of Financial Accounting Standards No. 142, which eliminates amortization of goodwill and certain intangibles deemed to have indefinite lives.

INTERNATIONAL

International net revenues decreased by 13% from $156,864 for the quarter ended April 1, 2001 to $136,145 for the quarter ended March 31, 2002. This decrease is partly the result of decreased sales of POKEMON products as well as decreased sales of electronic interactive products. The sale of POKEMON products was still strong internationally in the first and second quarter of 2001. These decreases were partially offset by shipments of DISNEY product related to the international release of MONSTERS, INC. International revenues were adversely impacted by approximately $5,400 from the stronger U.S. dollar. International operating loss increased from $(22,755) for the quarter ended April 1, 2001 to $(29,090) for the quarter ended March 31, 2002. The increase in operating loss was primarily the result of decreased sales and, to a lesser extent, increased royalty expenses due to increased sales of licensed products.

OTHER SEGMENTS

Revenues from the Retail segment decreased 7% from $9,485 for the quarter ended April 1, 2001 to $8,868 for the quarter ended March 31, 2002. Operating loss for the retail segment decreased from $(6,805) for the quarter ended April 1, 2001 to $(5,422) for the quarter ended March 31, 2002. The decrease in revenues and operating loss was primarily due to the closing of certain underperforming stores in 2001.

GROSS PROFIT

The Company's gross margin increased from 59.0% for the quarter ended April 1, 2001 to 63.2% for the quarter ended March 31, 2002. This increase was due to changes in product mix with increased sales of STAR WARS products and sales of DISNEY product, which were partially offset by decreased sales of trading card games, all of which have higher gross margins. The increase is also due, to a lesser extent, to reduced inventory closeout sales in the first quarter of 2002 as a result of the Company's improved inventory management. The Company has maintained lower levels of inventory in the first quarter of 2002, attempting to avoid unnecessary expenditures of cash and potential charges related to obsolescence. The Company's failure to accurately predict and respond to consumer demand could result in overproduction of less popular items, which could result in higher obsolescence costs. The Company anticipates higher gross margins in 2002 as a result of increased sales of entertainment based-products, such as STAR WARS products due to the scheduled theatrical release of STAR WARS: EPISODE II: ATTACK OF THE CLONES in May 2002 and DISNEY products due to the scheduled release of LILO and STITCH in June 2002. The expected increase in margins will be partially offset by increased royalty expense relating to these sales as well as increased amortization of related product rights.

EXPENSES

Amortization expense of $21,449 in the first quarter of 2002 decreased from

$29,421 in the first quarter of 2001. This decrease is related to the Company's adoption of Statements of Financial Accounting Standards 141 and 142, which require that goodwill and other intangible assets with indefinite useful lives no longer be amortized, but instead, be tested for impairment at least annually. The decrease related to the adoption of these statements is partially offset by increased amortization of the product rights related to STAR WARS as a result of increased sales of STAR WARS product in anticipation of the May 2002 release of STAR WARS EPISODE II: ATTACK OF THE CLONES.

Royalties, research and development expenses for the quarter increased to $84,669 or 18.7% of net revenues in the first quarter of 2002 from $56,735 or 12.2% of net revenues in the first quarter of 2001. Approximately 90% of this increase was due to increased royalty expense as a result of increased sales of entertainment based product, primarily STAR WARS related. The remainder of the increase relates to increased research and development expense as a result of the Company's continued focus on efforts to develop its core brand strategy. As noted above, the Company expects a higher level of royalties in 2002 as the result of product sales related to the theatrical releases of STAR WARS EPISODE II: ATTACK OF THE CLONES and Disney's LILO & STICH.

Advertising expense decreased marginally in amount to $46,889 in 2002 from $47,613 in 2001 and stayed consistent as a percentage of revenues at 10.4% in 2002 compared with 10.3% in 2001.

The Company's selling, distribution and administration expenses, which, with the exception of distribution costs, are largely fixed, decreased to $139,191 or 30.8% of net revenues in the first quarter of 2002 from $153,819 or 33.2% of net revenues in the first quarter of 2001. In dollars, approximately 82% of this decrease relates to decreased marketing and sales expenses as a result of the Company's focus on improved supply chain management as well as other cost reduction efforts of the Company.

NONOPERATING (INCOME) EXPENSE

Interest expense for the first quarter of 2002 was $19,542 compared with $25,890 in the first quarter of 2001. The decrease is related to lower long-term interest rates in 2002 due to the issuance of $250,000 of 2.75% convertible senior debentures in the fourth quarter of 2001, the proceeds of which were used to repurchase debt with higher interest rates, as well as decreases in average short-term borrowings outstanding during the first quarter of 2002.

INCOME TAXES

Income tax benefit as a percentage of pretax loss in the first quarter of 2002 was 26% compared to 32% in the first quarter of 2001. The income tax rate for the full year 2001 was 36.8%. The decrease in rate is primarily due to the adoption of Statement of Financial Accounting Standards No. 142, which eliminates amortization of goodwill and certain intangibles deemed to have an indefinite life and, to a lesser extent, smaller operating losses in jurisdictions with no tax benefit.

OTHER INFORMATION

Typically, due to the seasonal nature of its business, the Company expects the second half of the year and within that half, the fourth quarter, to be more significant to its overall business for the full year. The Company expects that this trend will generally continue, although the first half of 2002 may represent a greater proportion of full year revenues than the first half of 2001, principally because of the May 2002 release of STAR WARS: EPISODE II: ATTACK OF THE CLONES. The concentration of sales in the second half of the year and, specifically, the fourth quarter increases the risk of (a) underproduction of popular items, (b) overproduction of less popular items and (c) failure to achieve tight and compressed shipping schedules. The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies, inventory levels, policies of retailers and differences in overall economic conditions. The trend of retailers over the past few years has been to purchase a greater percentage of product within or close to the fourth quarter holiday consumer selling season, which includes Christmas. Quick response inventory management practices now being used result in fewer orders being placed in advance of shipment and more orders being placed for immediate delivery.

Consequently, unshipped orders on any date in a given year are not necessarily indicative of sales for the entire year. In addition, it is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. At April 28, 2002 and April 29, 2001, the Company's unshipped orders were approximately $241,000 and $287,000, respectively.

On January 1, 2001, the Company implemented Statement of Financial Accounting Standards No. 133, as amended by Statement of Financial Accounting Standards No. 138, which require that all derivative instruments, such as foreign exchange contracts, be recorded on the balance sheet at fair value. The effect of adopting these standards on earnings, net of taxes, was $(1,066) while the effect on Accumulated Other Comprehensive Earnings was $(753), which was reclassified to earnings over the final three quarters of 2001 through cost of sales.

During 2001, the Company received two inquiries from the Office of Fair Trading in the United Kingdom (the "OFT") into allegedly anti-competitive pricing practices by the Company's United Kingdom ("U.K.") subsidiary, Hasbro U.K. Ltd. ("Hasbro U.K."). In May of 2002 the OFT issued preliminary decisions proposing to find that Hasbro U.K. had entered into agreements with certain retailers and distributors in the U.K. to fix prices in violation of U.K. competition laws. These decisions are not final and the Company is in the process of preparing a comprehensive response to the OFT. If a fine is imposed pursuant to the OFT inquiry, the Company currently estimates that the amount of the fine could range from approximately $236 to approximately $38,300. Because of a number of factors, including the lack of precedent under the applicable U.K. statute and the significant appeal rights available to the Company in the event of an adverse final determination by the OFT, there is no amount within this range which is a better estimate than any other amount in the range. The Company accrued a charge to earnings in 2001 equal to the low end of the range set forth above. As a result, any fine that is imposed in excess of this accrued amount would have an adverse effect on the Company's results of operations in the quarter in which such additional liability is fixed or resolved. While the Company believes that some fine will be imposed, it is the Company's position that the amount of any fine should be at or near the low end of the range set forth above, and it will be vigorously pursuing this position in its discussions with the OFT.

LIQUIDITY AND CAPITAL RESOURCES

Hasbro has historically generated a significant amount of cash from normal operations. The Company funds its operations and liquidity primarily through cash flows from operations, as well as utilizing borrowings under the Company's secured and unsecured credit facilities when needed. The seasonality of the Company's business results in the interim cash flow statements not being representative of that which may be expected for the full year. Historically, the majority of the Company's cash collections occur late in the fourth quarter and early in the first quarter of the subsequent year. As receivables are collected, the proceeds are used to repay a significant portion of outstanding short-term debt. During 2002, the Company expects to continue to fund its working capital needs primarily through operations and, when needed, through its revolving credit facility and believes that the funds available to it are adequate to meet its needs. However, unforeseen circumstances, such as severe softness in or a collapse of the retail environment may result in a significant decline in revenues and operating results of the Company, thereby causing the Company to be in non-compliance with its debt covenants. Non-compliance with its debt covenants could result in the Company being unable to utilize borrowings under its revolving credit facility, a circumstance most likely to occur when operating shortfalls would most require supplementary borrowings.

Because of this seasonality in cash flow, management believes that on an interim basis, rather than discussing only its cash flows, a better understanding of its liquidity and capital resources can be obtained through a discussion of the various balance sheet categories as well. Also, as several of the major categories, including cash and cash equivalents, accounts receivable, inventories and short-term borrowings, fluctuate significantly from quarter to quarter, again due to the seasonality of its business, management believes that a comparison to the comparable period in the prior year is generally more meaningful than a comparison to the prior year-end.

Cash flows provided by operating activities were $137,880 and $193,772 for the first quarters of 2002 and 2001, respectively. Receivables were $287,379 at March 31, 2002 compared to $255,450 at April 1, 2001. The increase in receivables is due to the mix of products sold in the first quarter of 2002. The Company had lower sales of trading card games, which generally have shorter payment terms. In addition, products related to STAR WARS: EPISODE II: ATTACK OF THE CLONES began shipping late in the quarter to meet scheduled retail introduction requirements, and were not yet due for payment. Inventories decreased approximately 24% from last year's levels, primarily reflecting improved inventory management. Prepaid expenses decreased to $217,642 at March 31, 2002 from $237,013 at April 1, 2001. The Company has been actively seeking to reduce expenditures and this decreased level of spending is reflected in decreased prepaid expenses, as well as in decreased liabilities. Partially offsetting these decreases were increased advance royalties, primarily relating to STAR WARS products. A substantial portion of these royalties was considered long-term in 2001 and included in other assets.

Accounts payable and accrued liabilities decreased by $199,666 from $713,034 at April 1, 2001 to $513,368 at March 31, 2002. Approximately 28% of the decrease was due to amounts accrued in the prior year for contingent consideration related to the Wizards of the Coast acquisition, while 16% of the decrease relates to decreased restructuring provisions relating to the Company's December 2000 consolidation plan as a result of payments made. The remaining decrease is primarily due to reduced accounts payable as a result of the lower level of inventory and expenses accrued at March 31, 2002.

Collectively, property, plant and equipment and other assets decreased $293,383 from the comparable period in the prior year, primarily reflecting amortization of intangibles and depreciation of property, plant and equipment, partially offset by additions to property, plant and equipment. The remainder of the decrease is primarily related to the reclassification of prepaid STAR WARS royalties from long-term to current as a result of the anticipated realization of these royalties in connection with the theatrical release of STAR WARS EPISODE II: ATTACK OF THE CLONES in May 2002. On December 31, 2001, the Company adopted Statements of Financial Accounting Standards 141 and 142, which eliminates the amortization of goodwill and certain other intangibles deemed to have an indefinite life. These intangibles and goodwill will instead be tested for impairment on an annual basis.

Net borrowings (short and long-term borrowings less cash and cash equivalents) decreased to $846,182 at March 31, 2002 from $1,078,991 at April 1, 2001. This reflects an increase in cash of $174,346, primarily as the result of increased cash flows from operations, which has also resulted in a decrease in short-term borrowings. The Company has $324,873 of 7.95% Notes due March 2003, which have been reclassified to current installments of long-term debt at March 31, 2002. It is the Company's intention that cash provided by operations will be used to settle this obligation. At December 30, 2001, the Company had a committed secured revolving credit agreement of $325,000, maturing in February 2003. In March 2002, the Company entered into an amended and restated revolving credit facility with its existing bank group, which extended the term of the facility through March 2005, increased the amount available to the Company for borrowing under this facility to $380,000, and eased certain restrictions regarding the retirement of long-term debt prior to stated maturity. The amended and restated facility is secured by substantially all domestic accounts receivable and inventory, as well as certain intangible assets of the Company. In addition to this available committed line, the Company also has available uncommitted lines approximating $47,000. At March 31, 2002, approximately $56,000 of these committed and uncommitted lines were in use. The Company believes that funds provided by operations and amounts available for borrowing from time to time under these lines of credit are adequate to meet its needs in 2002.

The Company has letters of credit of approximately $21,900 and inventory purchase commitments of $80,900 outstanding at March 31, 2002.

Critical Accounting Policies and Significant Estimates
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The Company prepares its consolidated financial statements in accordance with

accounting principles generally accepted in the United States of America. As such, management is required to make certain estimates, judgments and assumptions that they believe are reasonable based on the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include sales allowances, inventory valuation, recoverability of goodwill and intangible assets, and recoverability of royalty advances and commitments.

Sales allowances for customer promotions, discounts and returns are recorded as a reduction of revenue when the related revenue is recognized. This net revenue is reflected as such in the Company's financial statements. The Company routinely commits to promotional allowance programs with customers. These allowances primarily relate to fixed programs, with the customer earning the allowances based on purchases of Company products during the year. Discounts are recorded as a reduction of related revenue at the time of sale. While many of the allowances are based on fixed amounts, certain of the allowances, such as the returns allowance, are based on market data, historical trends and information from customers and are therefore subject to estimation.

Inventory is valued at the lower of cost or market. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling price and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value. Failure to accurately predict and respond to consumer demand could result in the Company underproducing popular items or overproducing less popular items. Management estimates are monitored on a quarterly basis and a further adjustment to reduce inventory to its net realizable value is recorded when deemed necessary.

On December 31, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which eliminates the amortization of goodwill, as well as amortization of intangible assets deemed to have an indefinite life. Under this Statement, goodwill and intangible assets are allocated to applicable reporting units. Goodwill and intangible assets deemed to have indefinite lives will be tested for impairment annually using a two step process that begins with an estimation of fair value of the reporting unit. The first step is a screen for potential impairment while the second step measures the amount of impairment if there is an indication from the first step that one exists.

Intangible assets, other than those with indefinite lives, are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability of these intangible assets is measured by a comparison of the assets' carrying value to the estimated future undiscounted cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment would be measured by the amount by which the carrying value of the asset exceeds its fair value based on estimated discounted cash flows. The preparation of future cash flows and calculation of fair values of reporting units requires significant judgments and estimates with respect to future revenues related to the respective asset or assets and the future cash outlays related to those revenues. Actual revenues and related cash flows or changes in anticipated revenues and related cash flows could result in a change in these assessments and result in an impairment charge. The preparation of discounted cash flows also requires the selection of an appropriate discount rate. The use of different assumptions would increase or decrease estimated discounted cash flows and could increase or decrease the related impairment charge.

The recoverability of royalty advances and contractual obligations with respect to minimum guaranteed royalties is assessed by comparing the remaining minimum guaranty to the estimated future sales forecasts and related cash flow projections to be derived from the related product. If sales forecasts and related cash flows from the particular product do not support the recoverability of the remaining minimum guaranty or, if the Company decides to discontinue a product line with royalty advances or commitments, a charge to write-off the remaining minimum guaranty is required. The preparation of revenue forecasts and related cash flows for these products requires judgments and estimates. Actual revenues and related cash flows or changes in the assessment of anticipated revenues and cash flows related to these products could result in a change to the assessment of recoverability of remaining minimum guaranteed royalties.

FINANCIAL RISK MANAGEMENT
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The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates primarily as a result of sourcing products in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than thirty currencies. Results of operations may be affected primarily by changes in the value of the U.S. dollar, Hong Kong dollar, Euro, British pound, Canadian dollar and Mexican peso and, to a lesser extent, other currencies, including those in Latin American countries.

To manage this exposure, the Company has hedged a portion of its estimated upcoming fiscal year foreign currency transactions using forward foreign exchange contracts. From time to time, the Company may also hedge foreign currency exposure using purchased foreign currency options. The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in other than the U.S. dollar. The Company believes, however, that the on-going risk on the net exposure should not be material to its financial condition. In addition, the Company's revenues and costs have been and will likely continue to be affected by changes in foreign currency rates. The Company does not speculate in, and, other than set forth above, the Company does not hedge foreign currencies. The Company reflects all derivatives at their fair value as an asset or liability on the balance sheet.

FORWARD-LOOKING STATEMENTS
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This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "look forward," "may," "planned," "potential," "should," "will," and "would" or any variations of words with similar meanings. These forward-looking statements are inherently subject to known and unknown risks and uncertainties. The Company's actual actions or results may differ materially from those expected or anticipated in the forward-looking statements. Specific factors that might cause such a difference include, but are not limited to, the Company's ability to manufacture, source and ship new and continuing products on a timely basis and the acceptance of those products by customers and consumers at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs of products; economic conditions, including higher fuel prices, currency fluctuations and government regulations and other actions in the various markets in which the Company operates throughout the world; the inventory policies of retailers, including the concentration of the Company's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management techniques, which increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve tight and compressed shipping schedules; the bankruptcy or other lack of success of one of the Company's significant retailers which could negatively impact the Company's revenues or bad debt exposure; the impact of competition on revenues, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees in a competitive environment; the ability of the Company to generate sufficient available cash flow to service its outstanding debt; restrictions on the Company contained in the Company's

credit agreements; market conditions, third party actions or approvals and the impact of competition that could delay or increase the cost of implementation of the Company's consolidation programs, prevent the Company from fully realizing advance royalties paid in connection with licensed products, result in an impairment of the goodwill associated with acquired companies or impacted product lines, reduce actual results, and cause anticipated benefits of acquisitions to be delayed or reduced in their realization; and other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC such as Forms 8-K, 10-Q and 10-K. The Company undertakes no obligation to revise the forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect events or circumstances occurring after the date of the filing of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is included in Part I Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated herein by reference.

PART II. Other Information

Item 1. Legal Proceedings.

During 2001, the Company received two inquiries from the Office of Fair Trading in the United Kingdom (the "OFT") into allegedly anti-competitive pricing practices by the Company's United Kingdom ("U.K.") subsidiary, Hasbro U.K. Ltd. ("Hasbro U.K."). In May of 2002 the OFT issued preliminary decisions proposing to find that Hasbro U.K. had entered into agreements with certain retailers and distributors in the U.K. to fix prices in violation of U.K. competition laws. These decisions are not final and the Company is in the process of preparing a comprehensive response to the OFT. If a fine is imposed pursuant to the OFT inquiry, the Company currently estimates that the amount of the fine could range from approximately $236,000 to approximately $38.3 million. Because of a number of factors, including the lack of precedent under the applicable U.K. statute and the significant appeal rights available to the Company in the event of an adverse final determination by the OFT, there is no amount within this range which is a better estimate than any other amount in the range. The Company has accrued a charge to earnings in 2001 equal to the low end of the range set forth above. As a result, any fine that is imposed in excess of this accrued amount would have an adverse effect on the Company's results of operations in the quarter in which such additional liability is fixed or resolved. While the Company believes that some fine will be imposed, it is the Company's position that the amount of any fine should be at or near the low end of the range set forth above, and it will be vigorously pursuing this position in its discussions with the OFT.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

3.1 Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.2 Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

PART II. Other Information (continued)

Item 6. Exhibits and Reports on Form 8-K. (continued)

(a) Exhibits (continued)

3.3 Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the year ended December 30, 2001, File No. 1-6682.)

3.4 Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.5 Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)

4.1 Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)

4.2 Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File No. 1-6682.)

4.3 Indenture, dated as of November 30, 2001, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)

4.4 Second Amended and Restated Revolving Credit Agreement dated as of March 19, 2002 by and among the Company, the Banks party thereto, and Fleet National Bank, as Agent for the Banks. (Incorporated by reference to Exhibit 4(d) to the Company's Annual Report on Form 10-K for the year ended December 30, 2001, File No. 1-6682.)

Item 6. Exhibits and Reports on Form 8-K. (continued)

(a) Exhibits. (continued)

4.5 Rights Agreement, dated as of June 16, 1999, between the Company and Fleet National Bank (the Rights Agent). (Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K dated as of June 16, 1999.)

4.6 First Amendment to Rights Agreement, dated as of December 4, 2000, between the Company and the Rights Agent. (Incorporated by reference to Exhibit 4(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-6682.)

11 Computation of Earnings Per Common Share - Quarters Ended March 31, 2002 and April 1, 2001.

12 Computation of Ratio of Earnings to Fixed Charges - Quarter Ended March 31, 2002.

(b) Reports on Form 8-K

A Current Report on Form 8-K, dated April 22, 2002, was filed by the Company and included the Press Release dated April 22, 2002 announcing the Company's results for the first quarter of 2002. Consolidated Statements of Earnings (without notes) for the quarters ended March 31, 2002 and April 1, 2001 and Consolidated Condensed Balance Sheets (without notes) as of said dates were also filed with the Current Report on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HASBRO, INC.

(Registrant)

Date: May 15, 2002

By: /s/ David D. R. Hargreaves

David D. R. Hargreaves
Senior Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

HASBRO, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2002

Exhibit Index

Exhibit No.	Exhibits
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11	Computation of Earnings Per Common Share - Quarters Ended March 31, 2002 and April 1, 2001.
12	Computation of Ratio of Earnings to Fixed Charges - Quarter Ended March 31, 2002.

EXHIBIT 11

HASBRO, INC. AND SUBSIDIARIES
Computation of Earnings Per Common Share
Quarters Ended March 31, 2002 and April 1, 2001

(Thousands of Dollars and Shares Except Per Share Data)

	2002		2001	
	Basic	Diluted	Basic	Diluted
Earnings (loss) before cumulative effect of accounting change	$ (17,058)	(17,058)	(23,958)	(23,958)
Weighted average number of shares Outstanding:				
Outstanding at beginning of period	172,537	172,537	171,886	171,886
Exercise of stock options and warrants:				
Actual	57	57	47	47
Assumed	-	-	-	-
Total	172,594	172,594	171,933	171,933
Per common share:				
Earnings (loss) before cumulative effect of accounting change	$ (.10)	(.10)	(.14)	(.14)

EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
Quarter Ended March 31, 2002

(Thousands of Dollars)

Earnings available for fixed charges:	
Net loss	$(17,058)
Add:	
Fixed charges	24,374
Income taxes	(5,994)
Total	$ 1,322
Fixed Charges:	
Interest on long-term debt	$ 18,404
Other interest charges	1,138
Amortization of debt expense	448
Rental expense representative of interest factor	4,384
Total	$ 24,374
Ratio of earnings to fixed charges	0.05