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 June 29, 2003 Commission file number 1-6682

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

Rhode Island
(State of Incorporation)

05-0155090
(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 __

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X or No

The number of shares of Common Stock, par value $.50 per share, outstanding as of July 27, 2003 was 173,713,556.

PART I. FINANCIAL INFORMATION

ITEM 1: Financial Statements

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Thousands of Dollars Except Share Data)

Assets		(Unaudited) June 29, 2003	June 30, 2002	Dec. 29, 2002
Current assets				
Cash and cash equivalents	$	172,577	57,057	495,372
Accounts receivable, less allowance for doubtful accounts of $54,500, $50,500 and $50,700		485,108	479,443	555,144
Inventories:				
Finished products		250,058	250,660	173,168
Work in process		9,772	13,405	6,131
Raw materials		13,973	15,808	10,845
Total inventories		273,803	279,873	190,144
Deferred income taxes		111,604	99,078	109,839
Prepaid expenses		123,313	191,841	81,125
Total current assets		1,166,405	1,107,292	1,431,624
Property, plant and equipment, net		211,960	228,588	213,499
Other assets				
Goodwill		461,967	465,212	460,993
Other intangibles, less accumulated amortization of $405,200, $322,600 and $373,500		753,501	763,364	715,736
Other		310,394	320,321	321,029
Total other assets		1,525,862	1,548,897	1,497,758
Total assets	$	2,904,227	2,884,777	3,142,881

(continued)

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (continued)

(Thousands of Dollars Except Share Data)

Liabilities and Shareholders' Equity		(Unaudited) June 29, 2003	June 30, 2002	Dec. 29, 2002
Current liabilities				
Short-term borrowings	$	16,815	17,066	21,051
Current installments of long-term debt		1,201	277,928	201,841
Accounts payable		153,741	124,127	166,316
Accrued liabilities		424,034	429,081	577,642
Total current liabilities		595,791	848,202	966,850
Long-term debt, excluding current installments		861,280	846,361	857,274

Long-term debt, excluding current installments	[illegible]	[illegible]	[illegible]
Deferred liabilities	137,294	98,185	127,391
Total liabilities	1,594,365	1,792,748	1,951,515
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 June 29, 2003, June 30, 2002 and December 29, 2002	104,847	104,847	104,847
Additional paid-in capital	523,805	459,184	458,130
Deferred compensation	(257)	(1,836)	(613)
Retained earnings	1,433,099	1,323,336	1,430,950
Accumulated other comprehensive earnings	(10,228)	(37,563)	(46,814)
Treasury stock, at cost; 36,008,341 at June 29, 2003, 36,550,420 at June 30, 2002 and 36,525,120 shares at December 29, 2002	(741,404)	(755,939)	(755,134)
Total shareholders' equity	1,309,862	1,092,029	1,191,366
Total liabilities and shareholders' equity	$ 2,904,227	2,884,777	3,142,881

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		Six Months Ended	
	June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Net revenues	$ 581,469	545,990	1,043,237	998,257
Cost of sales	230,807	196,165	403,044	362,579
Gross profit	350,662	349,825	640,193	635,678
Expenses				
Amortization	18,410	22,766	34,588	44,215
Royalties	52,650	65,712	86,470	117,168
Research and product development	33,105	36,770	63,605	69,983
Advertising	67,686	58,507	120,864	105,396
Selling, distribution and administration	150,420	152,069	290,319	291,260
Total expenses	322,271	335,824	595,846	628,022
Operating profit	28,391	14,001	44,347	7,656
Nonoperating (income) expense				
Interest expense	11,974	18,317	26,996	37,859
Other (income) expense, net	[illegible]	[illegible]	[illegible]	[illegible]

Other (income) expense, net	777	30,667	82	27,832
Total nonoperating (income) expense	12,751	48,984	27,078	65,691
Earnings (loss) before income taxes and cumulative effect of accounting change	15,640	(34,983)	17,269	(58,035)
Income taxes	4,223	(9,095)	4,663	(15,089)
Net earnings (loss) before cumulative effect of accounting change	11,417	(25,888)	12,606	(42,946)
Cumulative effect of accounting change, net of tax	-	-	-	(245,732)
Net earnings (loss)	$ 11,417	(25,888)	12,606	(288,678)

(continued)

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations (continued)

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

	Quarter Ended		Six Months Ended	
	June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Per common share				
Earnings (loss) before cumulative effect of accounting change				
Basic	$ .07	(0.15)	.07	(0.25)
Diluted	$ .06	(0.15)	.07	(0.25)
Cumulative effect of accounting change, net of tax	$ -	-	-	(1.42)
Net earnings (loss)				
Basic	$ .07	(0.15)	.07	(1.67)
Diluted	$ .06	(0.15)	.07	(1.67)
Cash dividends declared	$ .03	.03	.06	.06

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Six Months Ended June 29, 2003 and June 30, 2002

(Thousands of Dollars)

(Unaudited)

	2003	2002
Cash flows from operating activities		
Net earnings (loss)	$ 12,606	(288,678)
Adjustments to reconcile net earnings to net cash provided (utilized) by operating activities:		
Cumulative effect of accounting change, net of tax	-	245,732
Depreciation and amortization of plant and equipment	35,366	40,258
Other amortization	34,588	44,215
Loss on impairment of investment	-	38,633
Deferred income taxes	14,497	7,208
Compensation earned under restricted stock programs	(14)	818
Change in operating assets and liabilities (other than cash and cash equivalents):		
Decrease in accounts receivable	82,063	103,156
Increase in inventories	(75,497)	(53,717)
(Increase) decrease in prepaid expenses	(31,038)	62,731
Decrease in accounts payable and accrued liabilities	(167,711)	(163,271)
Other, including long-term advances	6,842	(113,988)
Net cash utilized by operating activities	(88,298)	(76,903)
Cash flows from investing activities		
Additions to property, plant and equipment	(26,417)	(25,550)
Investments and acquisitions, net of cash acquired	-	(7,419)
Other	(5,501)	855
Net cash utilized by investing activities	(31,918)	(32,114)
Cash flows from financing activities		
Repayments of borrowings with original maturities of more than three months	(200,288)	(50,000)
Net repayments of other short-term borrowings	(4,562)	(16,897)
Stock option transactions	8,995	2,591
Dividends paid	(10,392)	(10,383)
Net cash utilized by financing activities	(206,247)	(74,689)
Effect of exchange rate changes on cash	3,668	7,668
Decrease in cash and cash equivalents	(322,795)	(176,038)
Cash and cash equivalents at beginning of year	495,372	233,095
Cash and cash equivalents at end of period	$ 172,577	57,057

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
Six Months Ended June 29, 2003 and June 30, 2002

(Thousands of Dollars)
(Unaudited)

	2003	2002
Supplemental information		

Cash paid (received) during the period for:		
Interest	$32,676	39,552
Income taxes	$13,688	(50,402)

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings

(Thousands of Dollars)
(Unaudited)

	Quarter Ended		Six Months Ended	
	June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Net earnings (loss)	$ 11,417	(25,888)	12,606	(288,678)
Other comprehensive earnings	28,297	37,695	36,586	30,835
Total comprehensive earnings (loss)	$ 39,714	11,807	49,192	(257,843)

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 June 29, 2003 and June 30, 2002, and the results of its operations and cash flows for the periods then ended in accordance with United States generally accepted accounting principles.

The quarterly and year to date periods ended June 29, 2003 and June 30, 2002 are 13-week and 26-week periods, respectively.

The results of operations for the six months ended June 29, 2003 are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company filed audited financial statements for the year ended December 29, 2002 in its annual report on Form 10-K, which includes all such information and disclosures, and accordingly, should be read in conjunction with the financial information included herein.

Hasbro uses the intrinsic-value method of accounting for stock options granted to employees. As required by the Company's existing stock plans, stock options are granted at, or above, the fair market value of the Company's stock, and, accordingly, no compensation expense is recognized for these grants in the Consolidated Statements of Operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. Had compensation expense been recorded under the fair value method as set forth in the provisions of Statement of Financial Accounting Standards No. 123 for stock options awarded, the impact on the Company's net earnings (loss) and net earnings (loss) per share for the fiscal quarters and six months ended June 29, 2003 and June 30, 2002 would have been:

	Quarter Ended		Six Months Ended	
	June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Reported net earnings (loss)	$ 11,417	(25,888)	12,606	(288,678)
Pro forma compensation expense, net of tax	(3,120)	(4,946)	(6,295)	(8,524)
Pro forma net earnings (loss)	8,297	(30,834)	6,311	(297,202)

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

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

	Quarter Ended		Six Months Ended	
	June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Reported earnings (loss) per share				
Basic	.07	(.15)	.07	(1.67)
Diluted	.06	(.15)	.07	(1.67)
Pro forma net earnings (loss) per share				
Basic and diluted	.05	(.18)	.04	(1.72)

(2) Earnings per share data for the quarters and six months ended June 29, 2003 and June 30, 2002 were computed as follows:

	2003		2002	
Quarter	Basic	Diluted	Basic	Diluted
Earnings (loss) before cumulative effect of accounting change	$ 11,417	11,417	(25,888)	(25,888)
Average shares outstanding	173,327	173,327	172,723	172,723
Effect of dilutive securities:				
Options	-	1,119	-	-
Warrants	-	6,449	-	-
Equivalent shares	173,327	180,895	172,723	172,723
Earnings (loss) per share before cumulative effect of accounting change	$ .07	.06	(.15)	(.15)

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

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

Six Months	2003 Basic	2003 Diluted	2002 Basic	2002 Diluted
Earnings (loss) before cumulative effect of accounting change	$ 12,606	12,606	(42,946)	(42,946)
Average shares outstanding	173,122	173,122	172,659	172,659
Effect of dilutive securities:				
Options	-	800	-	-
Warrants	-	5,870	-	-
Equivalent shares	173,122	179,792	172,659	172,659
Earnings (loss) per share before cumulative effect of accounting change	$ .07	.07	(.25)	(.25)

Options and warrants to acquire shares totaling 11,188 at June 29, 2003 and 40,800 at June 30, 2002, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. The Company also has 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, to the extent those shares would be dilutive.

(3) Other comprehensive earnings (loss) for the quarter and six months ended June 29, 2003 and June 30, 2002 consist of the following:

	Quarter Ended June 29, 2003	Quarter Ended June 30, 2002	Six Months Ended June 29, 2003	Six Months Ended June 30, 2002
Foreign currency translation adjustments	$ 24,432	34,526	34,800	28,391
Changes in value of available-for-sale securities, net of tax	7,067	(16,367)	6,136	(17,784)
Gains (losses) on cash flow hedging activities, net of tax	(4,711)	(7,620)	(7,257)	(6,677)
Reclassifications to income	1,509	27,156	2,907	26,905
	$ 28,297	37,695	36,586	30,835

Reclassification adjustments from other comprehensive earnings to earnings of $1,509 and $2,907 for the quarter and six months ended June 29, 2003, respectively, represent net losses on cash flow hedging derivatives for which the related transaction has impacted earnings and was reflected in cost of sales. The losses on cash flow hedging derivatives for the six months ended June 29, 2003 are net of gains on cash flows reclassified to earnings as the result of hedge ineffectiveness of $1. Reclassification adjustments from other comprehensive earnings to earnings for the quarter ended June 30, 2002 are comprised primarily of an impairment charge relating to an other than temporary decrease in the value of the Company's available-for-sale securities. The gains on cash flow hedging derivatives for the quarter and six months ended June 30, 2002 are net of losses on cash flows reclassified to earnings as the result of hedge ineffectiveness of $14 and $18 for the respective periods. The Company expects the remai ning deferred losses on derivative hedging instruments at June 29, 2003 of $9,146 in accumulated other comprehensive earnings to be reclassified to earnings within the next twelve months.

(Thousands of Dollars and Shares Except Per Share Data)

(4) Effective at the beginning of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). As a result of adopting this statement, the Company's goodwill and certain intangible assets are no longer amortized. The Company also evaluated its existing intangible assets and goodwill acquired in prior purchase business combinations 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 SFAS 142. As a result, the accumulated amortization on these assets is excluded from the balance sheet disclosure of accumulated amortization of other intangible assets. No other reclassifications or adjustments of remaining useful l ives were made as a result of this assessment.

SFAS 142 required the Company, within six months of the date of adoption, to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. This initial assessment was completed during the second quarter of 2002. As part of this assessment, the Company allocated goodwill and other Corporate assets and liabilities to its various reporting units. It then compared the carrying values of its reporting units to the fair values of those reporting units. The fair values of the reporting units were calculated using an income approach, which looks to the present value of expected future cash flows. These values were compared in total with the fair value of the business based on market capitalization at the date of testing. Based on the result of this assessment, the Company recorded a one-time transitional charge of $245,732, net of tax, resulting from the impairment of goodwill relating to the U.S. Toys reporting unit primarily as the result of the change in goodwi ll impairment criteria from an undiscounted to a discounted cash flow method. This transitional charge was recorded as a cumulative effect of a change in accounting principle and, in accordance with the statement, recorded retroactively to the first quarter. The first quarter of 2002 was restated to reflect this application. The Company performs its annual impairment test in the fourth quarter of the fiscal year. The impairment test for the fourth quarter of 2002 indicated that there was no further impairment.

A portion of the Company's goodwill and other intangible assets reside in the Corporate segment of the business. For purposes of SFAS 142 testing, in 2002, these assets were allocated to the reporting units within the Company's operating segments. Including this allocation for 2002, the changes in carrying amount of goodwill, by operating segment for the six months ended June 29, 2003 and June 30, 2002 are as follows:

	U.S. Toys	Games	International	Corporate	Total
2003					
Balance at Dec. 29, 2002	$ 13,234	261,767	185,992	-	460,993
Foreign Exchange	-	-	1,049	-	1,049
Other	-	(75)	-	-	(75)
Balance at June 29, 2003	$13,234	261,692	187,041	-	461,967
2002					
Balance at Dec. 30, 2001	$105,773	158,321	19,893	477,588	761,575
Allocation of Corporate	208,885	104,893	163,810	(477,588)	-
Impairment	(296,223)	-	-	-	(296,223)
Foreign Exchange	-	-	1,311	-	1,311
Other	-	(1,451)	-	-	(1,451)
Balance at June 30, 2002	$ 18,435	261,763	185,014	-	465,212

(Thousands of Dollars and Shares Except Per Share Data)

The other reduction in the carrying value of the Games segment goodwill in 2002 results primarily from the settlement of a dispute with the former shareholders of Wizards of the Coast, which was acquired in September 1999.

(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 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 game products. The Company also has other segments which primarily 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 certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs are allocated to segments based upon foreign exchange rates fixed at the beginning of the year, with adjustment to actual foreign exchange rates included in Corporate and eliminations.

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 29, 2002, except for the Company's adoption of Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", as of December 30, 2002, which did not have an effect on the Company's consolidated results of operations or financial position.

Results shown for the quarter and six months are not necessarily representative of those which may be expected for the full year 2003 nor were those of the comparable 2002 periods representative of those actually experienced for the full year 2002. 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 quarter and six months ended June 29, 2003 and June 30, 2002 are as follows.

	Quarter ended			
	June 29, 2003		June 30, 2002	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. Toys	$ 208,419	987	199,635	1,164
Games	148,613	7,662	152,039	10,157
International	203,849	26,575	174,260	21,825
Operations (a)	258	160,624	3,446	131,487
Retail	7,285	-	8,601	-
Other segments	13,045	-	8,009	1,680
Corporate and eliminations	-	(195,848)	-	(166,313)
	$ 581,469	-	545,990	-

(Thousands of Dollars and Shares Except Per Share Data)

	Six Months ended			
	June 29, 2003		June 30, 2002	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. Toys	$ 361,863	2,433	400,495	2,800
Games	260,823	14,107	244,888	14,400
International	379,232	48,601	310,405	39,122
Operations (a)	704	266,694	6,124	225,067
Retail	15,553	-	17,469	-
Other segments	25,062	-	18,876	4,258
Corporate and eliminations	-	(331,835)	-	(285,647)
	$ 1,043,237	-	998,257	-

	Quarter ended		Six Months ended	
	June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Operating profit (loss)				
U.S. Toys	$ 12,946	14,556	18,272	40,796
Games	25,363	22,444	43,372	19,943
International	(4,793)	(17,298)	(10,768)	(46,388)
Operations (a)	(1,346)	(4,223)	(1,156)	(6,994)
Retail	(3,092)	(5,834)	(9,921)	(11,256)
Other segments	3,585	2,551	9,609	8,944
Corporate and eliminations	(4,272)	1,805	(5,061)	2,611
	$ 28,391	14,001	44,347	7,656

	June 29, 2003	June 30, 2002
Total assets		
U.S. Toys (b)	$ 907,873	865,741
Games	1,299,253	1,148,258
International	1,174,426	1,095,273
Operations	588,509	481,953
Retail	14,184	21,256
Other segments	72,252	50,436
Corporate and eliminations (b)	(1,152,270)	(778,140)
	$ 2,904,227	2,884,777

(Thousands of Dollars and Shares Except Per Share Data)

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

(b) Certain intangible assets which benefit operating segments are reflected as Corporate assets for segment reporting purposes. For application of SFAS 142, these amounts have been allocated to the reporting unit which benefits from their use.

The following table presents consolidated net revenues by classes of principal products for the quarters and six month periods ended June 29, 2003 and June 30, 2002.

		Quarter ended		Six Months ended	
		June 29, 2003	June 30, 2002	June 29, 2003	June 30, 2002
Boys toys	$	213,700	182,100	378,100	370,900
Games and puzzles		202,300	217,200	372,200	368,200
Preschool toys		42,300	42,900	70,700	76,100
Creative play		33,000	34,800	62,700	61,100
Electronic toys		31,200	10,300	49,300	17,000
Girls toys		12,800	13,600	24,800	25,600
Other		46,169	45,090	85,437	79,357
Net revenues	$	581,469	545,990	1,043,237	998,257

(6) Effective December 30, 2002, the Company adopted Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The adoption of this statement did not have an impact on the Company's consolidated results of operations or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), which established new disclosure and liability-recognition requirements for guarantees of debt. The recognition and measurement requirements of FIN 45 were effective for guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have an effect on the consolidated results of operations or financial position of the Company.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", (SFAS 149) which is effective for contracts entered into or modified after June 30, 2003 as well as for hedging relationships designated after June 30, 2003. The initial adoption of SFAS 149 will not have a material effect on the consolidated results of operations or financial position of the Company.

In May of 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity", (SFAS 150) which establishes standards for issuers' classification as liabilities in the statement of financial position of certain financial instruments that have characteristics of both liabilities and equity. At June 29, 2003, the Company has certain warrants recorded as equity, which will be required under SFAS 150 to be recorded as a liability and subsequently adjusted to fair value through earnings.

SFAS150 is effective for the Company as of June 30, 2003, the first day of the third quarter of fiscal 2003. On that date, the Company will reclassify the value of these warrants, previously recorded in equity of approximately $108 million, to current liabilities and record a charge for the cumulative effect of accounting change of approximately $17 million to adjust the warrants to their fair value as of that date.

At June 29, 2003, the above warrants contained an option through January 2008 for the holder to sell all of these warrants to Hasbro for a price to be paid at the Company's election of either $100 million in cash, or $110 million in the Company's common stock, such stock being valued at the time of the exercise of the option. Had this option been exercised at June 29, 2003 and the Company had elected to settle this option in the Company's stock, the Company would have been required to issue 6,449 shares.

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

RESULTS OF OPERATIONS

Net earnings for the quarter and six months ended June 29, 2003 were $11,417 and $12,606, respectively, compared with a net loss of $(25,888) and $(288,678) for the comparable periods of 2002. Basic earnings per share for both the quarter and six months ended June 29, 2003 were $0.07 compared with a basic loss per share of $(0.15) and $(1.67) for the respective periods in 2002. Diluted earnings per share for the quarter and six months ended June 29, 2003 were $0.06 and $0.07, respectively, compared with a diluted loss per share of $(0.15) and $(1.67) for the respective periods in 2002. The net loss and basic and diluted loss per share for the six months ended June 30, 2002 include a cumulative effect of accounting change, net of tax, of $(245,732) or $(1.42) per share relating to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Included in the net loss in the quarter and six months ended June 30, 2002 is a non-cash charge, after tax, of $28,589 or $0.17 per share for the write-down of the Company's investment in Infogrames Entertainment SA common stock. The related shares were received as part of the net proceeds from the sale of Hasbro Interactive and Games.com to Infogrames Entertainment SA in 2001. The results for the quarter ended June 30, 2002 were also favorably impacted by interest income received on a tax settlement, net of tax, of $7,556.

Consolidated net revenues for the quarter ended June 29, 2003 increased 7% to $581,469 compared with $545,990 for the quarter ended June 30, 2002. For the six months ended June 29, 2003, consolidated net revenues were $1,043,237 compared to $998,257 for the six months ended June 30, 2002, an increase of 5%. Operating profit for the quarter ended June 29, 2003 was $28,391 compared to an operating profit of $14,001 in 2002. Operating profit for the six months ended June 29, 2003 was $44,347 compared to an operating profit of $7,656 for the six months ended June 30, 2002. Most of the Company's revenues and operating earnings are derived from its three principal segments: U.S. Toys, Games and International.

U.S. TOYS
U.S. Toys segment net revenues for the quarter ended June 29, 2003 increased 4% to $208,419 from $199,635 for the quarter ended June 30, 2002. Net revenues for the six months ended June 29, 2003 decreased 10% to $361,863 from $400,495 for the six months ended June 30, 2002. The increase for the quarter was primarily due to sales of BEYBLADE and FURREAL FRIENDS products, which were introduced in the second half of 2002, as well as increased revenues from core brands such as the PLAYSKOOL and TRANSFORMERS lines. These increases offset the expected decrease in shipments from the prior year of STAR WARS products. Shipments of STAR WARS related products were higher in 2002 as a result of the theatrical release of STAR WARS: EPISODE II: ATTACK OF THE CLONES in May 2002. Decreased sales of BOB THE BUILDER and ZOIDS products in 2003 also partially offset the increase in sales for the quarter.

The year to date revenue decline from 2002 was primarily due to the expected decrease in shipments of STAR WARS products, as well as decreases in shipments of BOB THE BUILDER and ZOIDS related products. These decreases were partially offset by revenues from BEYBLADE and FURREAL FRIENDS products, as well as increased revenues from core products, such as the PLAYSKOOL and TRANSFORMERS lines.

U.S. Toys operating profit decreased to $12,946 for the quarter ended June 29, 2003 from $14,556 for the quarter ended June 30, 2002. For the six months ended June 29, 2003, operating profit decreased to $18,272 from $40,796 for the six months ended June 30, 2002. This decrease in operating profit for both periods was primarily due to decreased gross margin resulting from lower shipments of STAR WARS products, which have a higher gross margin, partially offset by lower royalty and amortization expense. Product rights associated with the STAR WARS property are being amortized in proportion to expected remaining revenues. In periods with higher sales of STAR WARS products, resulting amortization expense will be higher. During the remainder of 2003, the Company expects lower sales of STAR WARS related products compared to 2002, due to the theatrical, DVD and video release of STAR WARS: EPISODE II: ATTACK OF THE CLONES in 2002 and, therefore, lower royalty and amortization expense in 2003. Sales of product re lated 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. Operating profit in the 2003 quarter and six month periods was also negatively impacted by a charge of approximately $7,000 related to exiting certain unprofitable product lines.

GAMES
Games segment net revenues decreased by 2% to $148,613 for the quarter ended June 29, 2003 from $152,039 for the quarter ended June 30, 2002. Net revenues for the six months ended June 29, 2003 increased 7% to $260,823 from $244,888 for the six months ended June 30, 2002. The decrease for the quarter primarily relates to decreased sales of licensed trading card games, primarily POKEMON. The decrease was partially offset by sales of TRIVIAL PURSUIT 20TH ANNIVERSARY EDITION, which was initially released in the U.S. in the third quarter of 2002, and increased sales of non-licensed trading card games including MAGIC: THE GATHERING. The increase over the six month period primarily relates to strong board game revenues as a result of shipments of TRIVIAL PURSUIT 20TH ANNIVERSARY EDITION, as well as increased shipments of MAGIC: THE GATHERING and other non-licensed trading card games, which were partially offset by decreased sales of POKEMON and other licensed trading card games.

Games operating profit increased to $25,363 for the quarter ended June 29, 2003 from $22,444 for the quarter ended June 30, 2002. Operating profit for the six months ended June 29, 2003 increased to $43,372 from $19,943 for the six months ended June 30, 2002. The increase in operating profit for the quarter was primarily because of lower royalty expense from lower sales of licensed trading card games. The increase in operating profit for the six months ended June 29, 2003 was primarily due to increased gross margin as the result of the increase in sales as well as the mix of products sold in 2003. Operating profit for both the quarter and the six months ended June 29, 2003 also benefited from decreased fixed costs as the result of cost reduction initiatives of the Company.

INTERNATIONAL
International segment net revenues increased by 17% to $203,849 for the quarter ended June 29, 2003 from $174,260 for the quarter ended June 30, 2002. Net revenues for the six months ended June 29, 2003 increased 22% to $379,232 from $310,405 for the six months ended June 30, 2002. For the quarter and six months ended June 29, 2003, International net revenues were positively impacted by translation gains of approximately $23,600 and $46,400, respectively, as the result of the weaker U.S. dollar. This foreign exchange impact accounted for 14% and 15% of the percentage increases in net revenues for the quarter and six months ended June 29, 2003, respectively. The increase in local currency revenue for the quarter was primarily a result of strong sales of BEYBLADE and FURREAL FRIENDS products, which were introduced in most markets in the fourth quarter of 2002. Revenues were also positively impacted by increased core brand sales of MAGIC: THE GATHERING and TRANSFORMERS products. These increases were parti ally offset by lower revenues from STAR WARS products, as well as licensed trading card games, such as POKEMON and HARRY POTTER. The increase for the six month period was driven by revenues from BEYBLADE products, increased sales of TRANSFORMERS and MAGIC: THE GATHERING products, as well as sales of FURREAL FRIENDS products. Increased revenues from the core brands PLAYSKOOL and PLAYDOH also contributed to the six month change. Partly offsetting these increases were lower shipments of STAR WARS products, decreases in sales of licensed trading card games including HARRY POTTER and POKEMON, and lower shipments of DISNEY related products than in 2002 when MONSTERS, INC. was released internationally.

International operating loss decreased to $4,793 for the quarter ended June 29, 2003 from $17,298 for the quarter ended June 30, 2002. Operating loss for the six months ended June 29, 2003 decreased to $10,768 from $46,388 for the six months ended June 30, 2002. The decrease in operating loss for both periods was primarily the result of increased gross margin in dollars from higher revenues, partially offset by an increase in advertising expense. Selling, distribution and administration costs decreased as a result of the Company's expense reduction initiatives, although these were largely offset by the foreign exchange impact of the weaker U.S. dollar. Although revenues were positively impacted by the weaker U.S. dollar, as noted above, operating expenses were also impacted, with a resulting negative impact to International operating loss of approximately $1,100 for the quarter and $1,900 for the six months ended June 29, 2003.

OTHER SEGMENTS
Revenues from the Retail segment decreased 15% to $7,285 for the quarter ended June 29, 2003 from $8,601 for the quarter ended June 30, 2002. Revenues for the Retail segment for the six months ended June 29, 2003 decreased 11% to $15,553 from $17,469 for the six months ended June 30, 2002. Operating loss for the retail segment decreased to $(3,092) for the quarter ended June 29, 2003 from $(5,834) for the quarter ended June 30, 2002. Operating loss for the six months ended June 29, 2003 decreased to $(9,921) from $(11,256) for the six months ended June 30, 2002. The decrease in revenues and operating loss was primarily due to the closing of additional retail stores. During the first six months of 2003, the Company closed fourteen retail stores.

GROSS PROFIT
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The Company's gross margin decreased to 60.3% for the quarter ended June 29, 2003 from 64.1% for the quarter ended June 30, 2002 while gross margin for the six months ended June 29, 2003 decreased to 61.4% from 63.7% in the comparable period of 2002. This decrease was due to changes in product mix, primarily decreased sales of STAR WARS products. Although sales of entertainment based properties generally have a higher gross margin, this increased gross margin is largely offset by increased royalty and amortization expense.

The Company aggressively monitors its levels of inventory, 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, causing a reduction in gross margin.

EXPENSES
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Amortization expense of $18,410 in the second quarter of 2003 decreased from $22,766 in the second quarter of 2002. Amortization expense for the six months ended June 29, 2003 decreased to $34,588 from $44,215 for the six months ended June 30, 2002. These decreases are primarily related to decreased amortization of the product rights related to STAR WARS. As noted above, the STAR WARS property rights are amortized in proportion to expected remaining sales. In periods with higher sales of STAR WARS products, such as 2002, the resulting amortization expense will be higher. As a result, the Company expects amortization expense to be lower in 2003 as compared to 2002.

Royalty expense for the quarter ended June 29, 2003 decreased to $52,650, or 9.1% of net revenues from $65,712, or 12.0% of net revenues in the second quarter of 2002. Royalty expense for the six months ended June 29, 2003 decreased to $86,470, or 8.3% of net revenues from $117,168, or 11.7% of net revenues for the six months ended June 30, 2002. This decrease is the result of decreased sales of entertainment-based product, primarily STAR WARS related. As noted above, the Company expects a lower level of royalty expense in 2003 due to the lower sales of STAR WARS products and as a result of the Company's business strategy to continue to invest in its core brands.

Research and product development expenses for the quarter ended June 29, 2003 decreased to $33,105 or 5.7% of net revenues from $36,770 or 6.7% of net revenues in the second quarter of 2002. These expenses decreased to $63,605 or 6.1% of net revenues for the six months ended June 29, 2003 from $69,983 or 7.0% of net revenues for the six months ended June 30, 2002. The Company expects full year product development expense to be lower than 2002 both in dollars and as a percentage of revenue as part of its strategy of focusing development spending on its core brands to provide increased returns from those brands.

For the quarter, advertising expense increased in amount and as a percentage of net revenues to $67,686 or 11.6% of net revenues in 2003 from $58,507 or 10.7% of net revenues in 2002. For the six months ended June 29, 2003, advertising expense increased to $120,864 or 11.6% of net revenues from $105,396 or 10.6% of net revenues in 2002. These increases reflect the Company's focused marketing to increase and maintain awareness of its core brands, as well as to introduce new products. The Company expects advertising expense in 2003 to continue to be higher than 2002 levels both in dollars and as a percentage of revenue as a result of this business strategy.

The Company's selling, distribution and administration expenses, which, with the exception of distribution costs are largely fixed, decreased to $150,420 or 25.9% of net revenues for the quarter ended June 29, 2003 from $152,069 or 27.9% of net revenues for the quarter ended June 30, 2002. For the six months ended June 29, 2003, these expenses decreased to $290,319 or 27.8% of net revenues, compared to $291,260 or 29.2% of net revenues in 2002. These decreases reflect lower expenses resulting from the Company's cost reduction efforts, which were partly offset by higher international expenses in translated U.S. dollars as the result of the weaker dollar and increased distribution costs, due to increased sales volume.

NONOPERATING (INCOME) EXPENSE
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Other expense for the quarter ended June 29, 2003 was $777 compared to $30,667 for the quarter ended June 30, 2002. For the six month periods, other expense was $82 in 2003 compared to $27,832 in 2002. During the quarter

ended June 30, 2002, the Company incurred a charge of $38,633 related to the decline in the fair value of the common stock of Infogrames Entertainment SA, held by the Company as an available-for-sale investment. This charge was partially offset by interest income received in the second quarter of 2002 on a tax settlement of $10,211.

Interest expense for the second quarter of 2003 was $11,974 compared with $18,317 in the second quarter of 2002. For the six months ended June 29, 2003, interest expense decreased to $26,996 from $37,859 in 2002. For the quarter and six months ended June 29, 2003, approximately 62% and 60%, respectively, of the decrease in interest expense from the 2002 periods is attributable to lower levels of short-term and long-term debt. This mainly reflects the repurchase of debt during the final two quarters of 2002 and repayment in the first quarter of 2003 totaling $274,873, in aggregate principal amount, of 7.95% notes, due in March 2003, using cash from operations. The remaining decreases in interest expense from the 2002 periods of 38% and 40% for the quarter and six months ended June 29, 2003, respectively, are due to lower effective interest rates, primarily the result of interest rate swap agreements entered into in May of 2002 to reduce the amount of the Company's debt subject to fixed interest rates.

INCOME TAXES
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Income tax expense as a percentage of pretax earnings in both the second quarter and six months of 2003 was 27.0%, compared to an income tax benefit as a percentage of pretax loss of 26.0% in the first quarter and six months of 2002. The increase in rate is primarily due to increased operating profit in jurisdictions with higher tax rates. The income tax rate for the full year 2002 was 27.9%, due to the impact of a fourth quarter non-deductible penalty assessed by the United Kingdom Office of Fair Trading in connection with Hasbro U.K.'s interaction with certain of its distributors.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

On December 31, 2001, the first day of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 required the Company, within six months of the date of adoption, to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. This initial assessment was completed during the second quarter of 2002. As part of this assessment, the Company allocated goodwill and other corporate assets and liabilities to its various reporting units. It then compared the carrying values of its reporting units to the fair values of those reporting units. The fair values of the reporting units were calculated using an income approach, which looks to the present value of expected future cash flows. These values were compared in total with the fair value of the business based on market capitalization at the date of testing. Based on the result of this assessment, the Company recorded a one-time t ransitional charge of $245,732, net of tax, resulting from the impairment of goodwill relating to the U.S. Toys reporting unit primarily as the result of the change in goodwill impairment criteria from an undiscounted to a discounted cash flow method. This transitional charge was recorded as a cumulative effect of a change in accounting principle and, in accordance with the statement, recorded retroactively to the first quarter.

OTHER INFORMATION
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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 2003 may represent a smaller proportion of full year revenues than the first half of 2002, principally because of the May 2002 theatrical 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 re tailers 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 more orders being placed for immediate delivery and fewer orders being placed well in advance of shipment.

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 June 29, 2003 and June 30, 2002, the Company's unshipped orders were approximately $548,200 and $459,800, respectively.

In January 2003, the Company amended its license with Lucas Licensing Ltd. ("Lucas") for the manufacture and distribution of STAR WARS toys and games. Under the amended agreement the term was extended by ten years and is expected to run through 2018. In addition, the minimum guaranteed royalties due to Lucas were reduced by $85,000. In a separate agreement, the warrants previously granted to Lucas were also amended. Under this warrant amendment, the term of each of the warrants issued to Lucas was extended by ten years. The warrant amendment agreement provides the Company with an option through October 2016 to purchase all of these warrants from Lucas for a price to be paid at the Company's election of either $200,000 in cash or $220,000 in the Company's common stock, such stock being valued at the time of the exercise of the option. Also, the warrant amendment agreement provides Lucas with an option through January 2008 to sell all of these warrants to the Company for a price to be paid at the Company's election of either $100,000 in cash or $110,000 in the Company's common stock, such stock being valued at the time of the exercise of the option. Should either of these options be required to be settled, the Company believes that it will have adequate funds available to settle them in cash if necessary. The increase in value of the warrants as a result of the amendment was approximately $67,900, which was recorded in the first quarter of 2003 as an intangible asset, and will be amortized over the remaining life of the licensing contract.

As described in note 6 to the financial statements, in May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (SFAS 150), which will be effective for the Company on June 30, 2003, the first day of the fiscal third quarter. Under the requirements of SFAS 150, the above warrant agreement with Lucas will be required to be classified as a liability and subsequently adjusted to fair value through earnings. On the date of adoption, the Company will reclassify approximately $108,000 from equity, where the warrants had previously been recorded, to current liabilities. A cumulative effect of accounting change of approximately $17,000 will be recorded to adjust the amount of this liability to its fair value on that date. Subsequent to this date, the Company will be required to adjust this liability to its fair value through earnings. If the price of the Company's stock increases, the value of the warrants will increase and the Company will recognize a charge to earnings. If the price of the Company's stock decreases, the value of the warrants will decrease and the Company will recognize income. Based on a hypothetical increase in the Company's stock price to $20.00 per share from its price at June 29, 2003 of $17.50 a share, the Company would recognize a charge to earnings of approximately $11,000 to adjust the warrants to their fair value.

Hasbro uses the intrinsic-value method of accounting for stock options granted to employees. As required by the Company's existing stock plans, stock options are granted at, or above, the fair market value of the Company's stock, and, accordingly, no compensation expense is recognized for these grants in the Consolidated Statement of Operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. In April 2003, FASB announced that it would mandate the fair value method of accounting for all stock-based awards. Although no formal statement has been issued at this time, this change in accounting could be effective for fiscal 2004. Until a formal statement is issued, the Company cannot estimate the effect that this change in accounting would have on its Consolidated Statements of Operations.

LIQUIDITY AND CAPITAL RESOURCES

Hasbro has historically generated a significant amount of cash from normal operations. The Company funds its operations and liquidity needs 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 2003, 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, which could result in the Company being 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 utilized by operating activities were $88,298 for the six months ended June 29, 2003 compared to $76,903 for the six months ended June 30, 2002. Receivables were $485,108 at June 29, 2003 compared to $479,443 at June 30, 2002. The increase in receivables is due to higher second quarter 2003 revenues, as well as the impact of foreign exchange translation. Prepaid expenses decreased to $123,313 at June 29, 2003 from $191,841 at June 30, 2002. The decrease is primarily due to decreased advanced royalties as the result of royalties earned in 2002 relating to STAR WARS products because of the theatrical, DVD, and video releases of STAR WARS: EPISODE II: ATTACK OF THE CLONES. Generally, when the Company enters into a licensing agreement for entertainment-based properties, an advance royalty payment is required at the inception of the agreement. This payment is then amortized in the Consolidated Statement of Operations as the related sales are made. In addition to the decrease related to STAR WARS pr oducts, the decrease in advance royalties is also due to the Company's business strategy of focusing on its core brands and reducing its reliance on licensed products. Inventories decreased to $273,803 at June 29, 2003 from $279,873 at June 30, 2002, notwithstanding higher foreign exchange rates in 2003. This reflects the Company's continued focus on supply chain management and its continued aggressive management of cash flow requirements.

Accounts payable and accrued expenses increased to $577,775 at June 29, 2003 from $553,208 at June 30, 2002. This increase is due to higher royalties accrued at June 29, 2003, primarily as the result of increased sales of licensed products for which no advances have been paid. In addition, accrued income taxes increased as the result of the increase in earnings in 2003.

Collectively, property, plant and equipment and other assets decreased $39,663 from the comparable period in the prior year. The decrease is due to depreciation and amortization, net of additions which include an increase in property rights resulting from the amendment of warrants previously issued in connection with the STAR WARS licensing rights. In January 2003, these warrants were amended to extend the term by ten years. In addition, put and call options were added to the warrants. The resulting increase in the value of the warrants of approximately $67,900 was recorded as an addition to property rights. In May of 2002, the Company paid a royalty advance of $120,000 relating to the STAR WARS product rights. Due to the timing of future expected royalties covered by this payment, this advance was recorded in other assets as a long-term advance.

Net borrowings (short and long-term borrowings less cash and cash equivalents) decreased to $706,719 at June 29, 2003 from $1,084,298 at June 30, 2002. This mainly reflects the repurchase of debt during the final two quarters of 2002 and repayment in the first quarter of 2003, of an aggregate of $274,873 in principal amount, of 7.95% notes, due in March 2003, using cash from operations. Of the $274,873 of notes that were repurchased and repaid, $74,585 was repurchased in the final two quarters of 2002 while the remaining $200,288 was repaid in the first quarter of 2003. The decrease in net borrowings is also the result of higher cash balances as the result of higher cash provided by operations for the 12 months ended June 29, 2003. It is the Company's intent to continue to assess the desirability of using available cash from operations to reduce its outstanding long-term debt, as market conditions and the Company's committed secured revolving credit agreement allow.

The Company currently has a committed secured revolving credit agreement of $380,000, maturing in March 2005. The facility is secured by substantially all domestic accounts receivable and inventory of the Company. The Company is not required to maintain compensating balances under the agreement. The agreement contains restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including restrictions with respect to capital expenditures, investments, acquisitions, debt and share repurchases and dividend payments. The Company was in compliance with all restrictive covenants at June 29, 2003. In addition to this available committed line, the Company also has available uncommitted lines approximating $41,200. At June 29, 2003, approximately $70,500 of these committed and uncommitted lines was 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 mee t its needs in 2003.

The Company has letters of credit of approximately $53,600 and purchase commitments of $221,742 outstanding at June 29, 2003. Other contractual obligations and commercial commitments as detailed in the Company's annual report on Form 10-K for the year ended December 29, 2002 did not materially change outside of payments made in the normal course of business and the repayment of debt mentioned above in the first quarter of 2003. The future payments required under long-term debt agreements disclosed as of year end are based on the contractual maturity dates.

The Company has $250,000 senior convertible debentures due 2021 which are included in long-term debt. The holders of these debentures may put the notes back to the Company in December 2005, December 2011 and December 2016 at 100% of the principal amount and accrued interest on the notes. At that time, the purchase price may be paid in cash, shares of common stock, or a combination of the two, at our discretion. Our current intent is to settle in cash any puts exercised in the future.

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 it believes 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 are sales allowances, inventory valuation, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments and pensions.

Sales allowances for customer promotions, discounts and returns are recorded as a reduction of revenue when the related revenue is recognized. Revenue from product sales is recognized upon passing of title to the customer, at the time of shipment. Revenue from product sales, less related sales allowances, is added to royalty revenue and reflected as net revenues in the consolidated statements of operations. The Company routinely commits to promotional sales allowance programs with customers. These allowances primarily relate to fixed programs, which the customer earns 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, as an increase to cost of sales, when deemed necessary under the lower of cost or market standard.

On December 31, 2001, the first day of fiscal 2002, the Company adopted SFAS 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 other intangible assets deemed to have indefinite lives are tested for impairment annually. Goodwill is tested using a two step process that begins with an estimation of the fair value of the reporting unit using an income approach, which looks to the present value of expected future cash flows.

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 with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value also calculated using the income approach. In connection with the adoption of SFAS 142, the Company recorded an impairment charge of $245,732, net of tax, primarily as the result of the change in goodwill impairment criteria from an undiscounted to a discounted cash flow method. The Company's annual impairment test was performed in the fourth quarter of 2002 and no impairment was indicated. At June 29, 2003, the Company has goodwill and intangible assets with indefinite lives of $537,705 recorded on the balance sheet.

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 future discounted cash flows. The estimation of future cash flows requires significant judgments and estimates with respect to future revenues related to the respective asset 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 this assessment and result in an impairment charge. The estimation of discounted cash flows also requir es 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. Intangible assets covered under this policy were $677,763 at June 29, 2003.

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 royalty expense 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. At June 29, 2003, the Company had approximately $217,500 of prepaid royalties, approximately $65,600 of which are included in prepaid expenses and other current assets and approximately $151,900 which are included in other assets.

The Company, except for certain International subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits using estimates for expected return on assets, expected salary increases, and applicable discount rates. These estimates are established for the upcoming year at the Company's measurement date of September 30. The Company estimates expected return on assets using a weighted average rate based on historical market data for the investment classes of assets held by the plan, the allocation of plan assets among those investment classes, and the current economic environment.

Based on this information and, in light of recent decreases in historical average market returns, the Company reduced its expected long-term return on plan assets in September 2002 to 8.75% versus 9.00% used in 2001. A decrease in the estimate used for expected return on plan assets would increase pension expense while an increase in this estimate would decrease pension expense. Expected salary increases are estimated using a combination of historical salary increases with expected salary increases in the Company's long-term business forecasts. Based on this analysis, in 2002, the Company reduced expected long-term salary increases to 4.0% from 4.5% used in 2001. Increases in estimated salary increases would increase pension expense while decreases would decrease pension expense. Discount rates are selected based upon rates of return on high quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. The Co mpany considers Moody's long-term Aa Corporate Bond yield at the measurement date as an appropriate guide in setting this rate. At September 30, 2002, the Company's measurement date for its pension assets and liabilities, the Moody's long-term Corporate Bond yield was 6.51%, and the Company selected a discount rate of 6.50% versus 7.25% used in 2001. A decrease in the discount rate would result in greater pension expense while an increase in the discount rate would decrease pension expense. Primarily as a result of the changes in these assumptions, the Company expects its full year pension expense in 2003 to increase by $4,500 over 2002. The Company does not expect these changes in its assumptions to impact its funding requirements in 2003. In accordance with Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions", actual results that differ from the actuarial assumptions are accumulated and, if in excess of a certain corridor, amortized over future periods and, therefore gene rally affect recognized expense and the recorded obligation in future periods. Assets in the plan are valued on the basis of their fair market value on the measurement date.

FINANCIAL RISK MANAGEMENT
- --

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 twenty-five 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 foreign currency transactions using forward foreign exchange contracts and, to a lesser extent, zero cost option collars. 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.

In 2002, the Company entered into interest rate swap agreements in order to adjust the amount of total debt that is subject to fixed interest rates. At June 29, 2003, these swaps had notional amounts of $200,000. These agreements are designated and effective as hedges of the change in the fair value of the associated debt. Changes in fair value of these contracts are wholly offset in earnings by changes in the fair value of long-term debt. At June 29, 2003, these contracts had a fair value of $19,042, which is recorded in other assets, with a balancing entry to long-term debt.

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This Quarterly Report on Form 10-Q contains "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, concerning management's expectations, goals, objectives, and similar matters. 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 results or experience 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 in a timely manner and customers' and consumers' acceptance of those products at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs of products;
- economic and public health conditions, including factors which impact the strength of the retail market and retail demand or the Company's ability to manufacture and deliver products, higher fuel and commodity prices, higher transportation costs, currency fluctuations, government regulation and other conditions in the various markets in which the Company operates throughout the world;
- the Company's ability to generate sales during the fourth quarter, particularly during the relatively brief holiday season, which is the period in which the Company derives a substantial portion of its revenues;
- 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;
- work stoppages, slowdowns or strikes, which may impact the Company's ability to manufacture or deliver product;
- concentration of manufacturing of many of the Company's products in the People's Republic of China and the associated impact to the Company of health conditions and other factors affecting social and economic activity in China or affecting the movement of people and products into and out of China;
- an adverse change in purchasing policies or the bankruptcy or other lack of success of one or more of the Company's significant retailers comprising its relatively concentrated retail customer base, 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 employees in a competitive environment;
- the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- the risk that the market appeal of the Company's licensed products will be less than expected or that the sales revenue generated by those products will be insufficient to cover the minimum guaranteed royalties;
- the Company's ability to obtain and enforce intellectual property rights both in the United States and abroad;
- the risk that any litigation or arbitration disputes or regulatory investigations could entail significant expense and result in significant fines or other harm to the Company's business;

- the Company's ability to obtain external financing on terms acceptable to it in order to meet working capital needs;
- the Company's ability to generate sufficient available cash flow to service its outstanding debt;
- restrictions that the Company is subject to under its credit agreement;
- unforeseen circumstances, such as severe softness in or collapse of the retail environment that 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 and the Company being unable to utilize borrowings under its revolving credit facility, a circumstance likely to occur when operating shortfalls would result in the Company being in the greatest need of such supplementary borrowings;
- market conditions, third party actions or approvals, the impact of competition and other factors that could delay or increase the cost of implementation of the Company's consolidation programs, or reduce actual results;
- the risk that the Company may be subject to governmental sanctions for failure to comply with applicable regulations or to product liability suits relating to products it manufactures and distributes;
- the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income;
- 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 filings on 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.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 29, 2003. Based on the evaluati on of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended June 29, 2003, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

At the Company's Annual Meeting of Shareholders on May 14, 2003 (the "Annual Meeting"), the Company's shareholders re-elected the following persons to the Board of Directors of the Company: Frank Biondi, Jr.

(148,380,047 votes for, 4,271,121 votes withheld), Alan G. Hassenfeld (148,521,817 votes for, 4,129,351 votes withheld), and Paula Stern (149,443,619 votes for, 3,207,549 votes withheld). The Board also elected the following new director to the Board of Directors of the Company: Edward M. Philip (149,446,201 votes for, 3,204,967 votes withheld).

At the Annual Meeting, the Company's shareholders also approved:

1) an amendment to the Articles of Incorporation to declassify the Board of Directors and establish annual elections of directors, by a vote of 133,487,171 votes for and 18,140,920 against, while 1,023,077 shares abstained;

2) the 2003 Stock Option Plan for Non-Employee Directors by a vote of 136,603,264 votes for and 14,746,384 against, while 1,301,520 shares abstained;

3) the 2003 Senior Management Annual Performance Plan by a vote of 144,503,380 votes for and 6,798,790 against, while 1,348,998 shares abstained; and

4) the 2003 Stock Incentive Performance Plan by a vote of 133,334,340 votes for and 17,974,971 against, while 1,341,857 shares abstained.

Finally, at the Annual Meeting the Company's shareholders rejected a shareholder proposal which requested that Hasbro commit itself to the implementation of a code of corporate conduct based on the International Labor Organization human rights standards and commit to a program of outside, independent monitoring of compliance with those standards, with annual reporting to shareholders. This proposal was rejected by a vote of 110,878,981 against, 15,935,513 for, while 9,210,144 shares abstained and there were 16,626,530 broker non-votes.

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.)

3.3 Amendment to Articles of Incorporation, filed May 23, 2003.

3.4 Amended and Restated Bylaws of the Company, as amended.

3.5 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.)

3.6 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 First Amendment to Second Amended and Restated Revolving Credit Agreement dated as of July 26, 2002 by and among the Company, the Banks thereto, and Fleet National Bank, as Agent for the Banks. (Incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2002, File No. 1-6682.)

4.6 Second Amendment to Second Amended and Restated Revolving Credit Agreement dated as of January 24, 2003 by and among the Company, the Banks party thereto, and Fleet National Bank, as Agent for the Banks. (Incorporated by reference to Exhibit 4(f) to the Company's Annual Report on Form 10-K for the year ended December 29, 2002, File No. 1-6682.)

4.7 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.)

4.8 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.)

10.1 First Amendment to Hasbro, Inc. Retirement Plan for Directors, dated April 15, 2003.

10.2 First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003.

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11.2 Computation of Earnings Per Common Share - Quarter Ended June 29, 2003 and June 30, 2002.

12 Computation of Ratio of Earnings to Fixed Charges - Six Months and Quarter Ended June 29, 2003.

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

(a) Exhibits. (continued)

31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

32.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

(b) Reports on Form 8-K

A Current Report on Form 8-K, dated April 21, 2003, was filed to announce the Company's results as of and for the three months ended March 30, 2003. Consolidated statements of earnings (without notes) for the quarters ended March 30, 2003 and March 31, 2002, consolidated balance sheets as of said dates, and earnings per share, major segment results, and reconciliations of EBITDA tables for the said periods were also filed.

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: August 13, 2003

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 June 29, 2003

Exhibit Index

Exhibit No.	Exhibits
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32.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

Exhibit 10.1

FIRST AMENDMENT TO
HASBRO, INC. RETIREMENT PLAN FOR DIRECTORS

The Hasbro, Inc. Retirement Plan for Directors (the "Retirement Plan") is hereby amended, effective as of the effective time of approval by Hasbro, Inc.'s (the "Company's") shareholders of the 2003 Stock Option Plan for Non-Employee Directors. Notwithstanding the foregoing, this First Amendment to the Retirement Plan shall only become effective if approval by the Company's shareholders occurs at the Company's May 14, 2003 Annual Meeting of Shareholders.

1. Section 3.1 is amended by the addition of the following sentence at the end thereof:

> "Any person who shall become a Director on or after May 14, 2003 shall not be eligible to participate in the Plan."

2. A new Section 4.1(D) is added to the Plan as follows:

> "D. Directors who have been participants in the Plan prior to May 14, 2003 and who elect to participate in the 2003 Stock Option Plan for Non-Employee Directors ("2003 Director Plan") shall not be credited with changes in the Annual Retainer or additional periods of Board Service under the Plan after the effective date of their participation in the 2003 Director Plan (the "Effective Date"), and they may elect to have the Present Value of their accrued benefits under the Retirement Plan, as of the Effective Date, deferred into Stock Units under the Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. Such Present Value of the accrued benefits under the Retirement Plan, as of the Effective Date, for any given Director will be determined by Watson Wyatt Worldwide, the plan actuary for the Retirement Plan, or any successor selected by the Company who is serving as the plan actuary as of the applicable Effective Date."

IN WITNESS WHEREOF, this First Amendment to the Plan has been executed by a duly authorized officer of the Company on this 15th day of April, 2003.

HASBRO, INC.

By: /s/ Barry Nagler

Name: Barry Nagler
Title: Senior Vice President and
General Counsel

Exhibit 10.2

**FIRST AMENDMENT TO
HASBRO, INC. DEFERRED COMPENSATION PLAN FOR
NON-EMPLOYEE DIRECTORS**

The Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors (the "Deferred Plan") is hereby amended, effective as of the effective time of approval by Hasbro, Inc.'s (the "Company's") shareholders of the 2003 Stock Option Plan for Non-Employee Directors ("2003 Director Plan"), as is set forth below. Notwithstanding the foregoing, this First Amendment to the Deferred Plan shall only become effective if approval by the Company's shareholders occurs at the Company's May 14, 2003 Annual Meeting of Shareholders.

1. A new Section 1.5 is added to Deferred Plan as follows:

"1.5 Directors who have been participants in the Hasbro, Inc. Retirement Plan for Directors (the "Retirement Plan") prior to May 14, 2003 and who elect to participate in the 2003 Director Plan may elect to have the present value of their accrued benefits under the Retirement Plan, as of the effective date of their participation in the 2003 Director Plan (the "Effective Date"), converted into Stock Units under the Deferred Plan. Such present value of the accrued benefits under the Retirement Plan, as of the Effective Date, for any given Director will be determined by Watson Wyatt Worldwide, the plan actuary for the Retirement Plan, or any successor selected by the Company who is serving as the plan actuary as of the applicable Effective Date."

2. Section 2.2 of the Deferred Plan is amended by adding the following new fifth paragraph to such Section 2.2 immediately following the existing fourth paragraph of Section 2.2:

"For purposes of determining the number of shares of Common Stock which shall be credited to a Director's Stock Unit Account in connection with an election by a Director referred to in Section 1.5 above, the hypothetical purchase shall be deemed to be made on the Effective Date, or if such day is not a business day, on the next succeeding business day. The hypothetical purchase shall be deemed to be made at a price equal to the average closing price of shares of Common Stock as reported in the Wall Street Journal for all of the trading days in the one-year period beginning on the same calendar day as the Effective Date for such Director, but in the year preceding the Effective Date, and ending with the Effective Date."

IN WITNESS WHEREOF, this First Amendment to the Deferred Plan has been executed by a duly authorized officer of the Company as of this 15th day of April, 2003.

HASBRO, INC.

By: /s/ Barry Nagler

Name: Barry Nagler
Title: Senior Vice President and General Counsel

EXHIBIT 11.1

HASBRO, INC. AND SUBSIDIARIES
Computation of Earnings Per Common Share
Six Months Ended June 29, 2003 and June 30, 2002
(Thousands of Dollars and Shares Except Per Share Data)

	2003		2002	
	Basic	Diluted	Basic	Diluted
Net earnings (loss) before cumulative effect of accounting change	$12,606	12,606	(42,946)	(42,946)
Weighted average number of shares outstanding:				
Outstanding at beginning of period	172,805	172,805	172,537	172,537
Exercise of stock options and warrants:				
Actual exercise of options	317	317	122	122
Assumed exercise of warrants	-	5,870	-	-
Assumed exercise of options	-	800	-	-
Total	173,122	179,792	172,659	172,659
Per common share:				
Net earnings (loss) before cumulative effect of accounting change	$ .07	.07	(.25)	(.25)

EXHIBIT 11.2

HASBRO, INC. AND SUBSIDIARIES
Computation of Earnings Per Common Share
Quarter Ended June 29, 2003 and June 30, 2002
(Thousands of Dollars and Shares Except Per Share Data)

	2003		2002	
	Basic	Diluted	Basic	Diluted
Net earnings (loss) before cumulative effect of accounting change	$ 11,417	11,417	(25,888)	(25,888)
Weighted average number of shares outstanding:				
Outstanding at beginning of period	173,075	173,075	172,644	172,644
Exercise of stock options and warrants:				
Actual exercise of options	252	252	79	79
Assumed exercise of warrants	-	6,449	-	-
Assumed exercise of options	-	1,119	-	-
Total	173,327	180,895	172,723	172,723
Per common share:				
Net earnings (loss) before cumulative effect of accounting change	$ .07	.06	(.15)	(.15)

EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
Six Months and Quarter Ended June 29, 2003

(Thousands of Dollars)

	Six Months	Quarter
Earnings available for fixed charges:		
Net earnings	$ 12,606	11,417
Add:		
Fixed charges	34,678	15,772
Income taxes	4,663	4,223
Total	$ 51,947	31,412
Fixed charges:		
Interest on long-term debt	$ 24,864	10,714
Other interest charges	2,132	1,260
Amortization of debt expense	587	236
Rental expense representative of interest factor	7,095	3,562
Total	$ 34,678	15,772
Ratio of earnings to fixed charges	1.498	1.992

Exhibit 31.1

CERTIFICATION

I, Alfred J. Verrecchia, certify that:

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

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

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

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

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

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

   c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: August 13, 2003

/s/ Alfred J. Verrecchia

Alfred J. Verrecchia
President and Chief
Executive Officer

Exhibit 31.2

CERTIFICATION

I, David D.R. Hargreaves, certify that:

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

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

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

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

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

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

    c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: August 13, 2003

/s/ David D.R. Hargreaves

David D.R. Hargreaves
Senior Vice President and Chief
Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2003, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alfred J. Verrecchia
\- ---
Alfred J. Verrecchia
President and Chief Executive Officer of Hasbro, Inc.

Dated: August 13, 2003

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2003, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David D.R. Hargreaves
- --
David D.R. Hargreaves
Senior Vice President and Chief Financial Officer
of Hasbro, Inc.

Dated: August 13, 2003

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 3.3

State of Rhode Island and Providence Plantations
Office of the Secretary of State

Matthew A. Brown
Secretary of State

**CERTIFICATE OF AMENDMENT
TO THE ARTICLES OF INCORPORATION OF**

Hasbro, Inc.

I, MATTHEW BROWN, Secretary of State of the State of Rhode Island and Providence Plantations, hereby certify that duplicate originals of Articles of Amendment to the Articles of Incorporation of

Hasbro, Inc.

duly signed and verified pursuant to the provisions of Chapter 7-1.1-56 of the General Laws, 1956, as amended, have been received in this office and are found to conform to law. The affixed is a duplicate original of the Articles of Amendment.

WITNESS my hand and the seal of the State of Rhode Island and Providence Plantations the 23rd day of May, 2003

[Seal of the State of
Rhode Island and
Providence Plantations]

/s/ Matthew Brown
Secretary of State

By /s/ Andrea M. Francese

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Corporations Division
100 North Main Street
Providence, Rhode Island 02903-1335

BUSINESS CORPORATION

**ARTICLES OF AMENDMENT TO THE
ARTICLES OF INCORPORATION
(To Be Filed in Duplicate Original)**

Pursuant to the provisions of Section 7-1.1-56 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is Hasbro, Inc.

2. The Shareholders of the corporation (or, where no shares have been issued, the board of directors of the corporation) on May 14, 2003, in the manner prescribed by Chapter 7-1.1 of the General Laws, 1956, as amended, adopted the following amendment(s) to the Articles of Incorporation:

[Insert Amendment(s)]

(if additional space is required, please list on separate attachment)

Please see attached Exhibit A.

3. The number of shares of the corporation outstanding at the time of such adoption was 173,090,045; and the number of shares entitled to vote thereon was 173,090,045.

4. The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows: (If inapplicable, insert "none.")

Class	Number of Shares
Common	173,090,045

5. The number of shares voted for such amendment was 133,487,171; and the number of shares voted against such amendment was 18,140,920.

6. The number of shares of each class entitled to vote thereon as a class voted for and against such amendment, respectively, was: (If applicable, insert "none".)

	Number of Shares Voted	
Class	For	Against
Common	133,487,171	18,140,920

7. The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows: (If no change, so state)

No Change.

8. The manner in which such amendment effects a change in the amount of stated capital, and the amount (expressed in dollars) of stated capital as changed by such amendment, are as follows: (If no change, so state)

No Change.

9. As required by Section 7-1.1-57 of the General Laws, the corporation has paid all fees and franchise taxes.

10. Date when amendment is to become effective Upon filing
(not prior to, nor more than 30 days after, the filing of these articles of amendment)

Date: May 19, 2003

Hasbro, Inc.
Print Corporate Name

By /s/ Alfred J. Verrecchia
Alfred J. Verrecchia
[X] President or [ ] Vice President (check one)

AND

By /s/ Barry Nagler
Barry Nagler
[X] Secretary or [ ] Assistant Secretary (check one)

STATE OF Rhode Island
COUNTY OF Providence

In Pawtucket, on this 19th day of May, 2003 personally appeared before me Barry Nagler who, being by me first sworn, declared that he/she is the Secretary of the corporation and that he/she signed the foregoing document as such officer of the corporation, and that the statements herein contained are true.

/s/ Marie D. Pamental
Notary Public
My Commission Expires: 2/5/04
[Notary Seal]

Exhibit A:

Article EIGHTH, Section 8.2 of the Restated Articles of Incorporation will be deleted and replaced in its entirety with the following:
EIGHTH:

"8.2 Except with respect to any directors elected by holders of any one or more series of Preference Stock voting separately as a class or classes, directors shall be elected in the following manner. The directors elected at the annual meeting of shareholders held in 2003 shall, along with the directors elected at the annual meeting of shareholders held in 2001, serve until the annual meeting of shareholders to be held in 2004 and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. The directors elected at the annual meeting in 2002 shall hold office until the annual meeting of shareholders held in 2005 and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. Beginning with the annual meeting of shareholders to be held in 2004, at each annual meeting of shareholders the directors elected at such meeting shall serve until the next annual meeting of shareholders and until their successor s shall be elected and qualified, or until their earlier death, resignation or removal. No decrease in the number of directors shall have the effect of shortening the term of office of any incumbent director."

Exhibit 3.4

AMENDED AND RESTATED
BY-LAWS of HASBRO, INC.

(as amended from time to time)

ARTICLE I

OFFICES

Section 1.1. The office of Hasbro, Inc. (the "Corporation") within the State of Rhode Island shall be located in the City of Pawtucket, County of Providence.

Section 1.2. Other Offices. The Corporation may also have offices and places of business at such other places within or without the State of Rhode Island as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 2.1. Place. All meetings of shareholders of the Corporation shall be held at such place within or without the State of Rhode Island as shall be stated in the notice of the meeting.

Section 2.2. Annual Meeting. Commencing with the year 1995, a meeting of the shareholders of the Corporation shall be held annually on the second Wednesday in the month of May of each year, if not a legal holiday, and if a legal holiday, then on the next secular day following, or on such other date and at such time and place as the Board of Directors shall determine, and at such meeting, the shareholders shall transact such business as may properly be brought before the meeting.

Section 2.3. Special Meetings. Special meetings of the shareholders of the Corporation, for any purpose or purposes, unless otherwise prescribed by statute or by the Restated Articles of Incorporation (the "Articles of Incorporation"), may be called by the Chairman of the Board, any Vice Chairman, any Chief Operating Officer, President, or the Board of Directors.

Section 2.4. Notice of Meetings. Written notice of each meeting of shareholders of the Corporation stating the place, date and hour thereof, and in the case of a special meeting of shareholders, specifying the purpose or purposes thereof, and the person or persons by whom or at whose direction such meeting has been called, shall be given to each shareholder entitled to vote thereat, at his address as it appears on the records of the Corporation, not less than ten (10) nor more than sixty (60) days prior to the meeting.

Section 2.5. Quorum. At each meeting of the shareholders of the Corporation, the holders of a majority of shares of the Corporation entitled to vote thereat, present in person or by proxy, shall constitute a quorum, except as may be otherwise provided by the Articles of Incorporation or these By-Laws. If, however, a quorum shall not be present on the date specified in the original notice of meeting, the shareholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At any such adjourned meeting, at which a quorum shall be present, the shareholders, present in person or by proxy, may transact any business which might have been transacted had a quorum been present on the date specified in the original notice of meeting.

Section 2.6. Voting. At any meeting of the shareholders of the Corporation, each shareholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholder or otherwise appointed in accordance with the provisions of Section 2.7 of these By-Laws. Except as may be otherwise provided by the Articles of Incorporation, each holder of record of Common Stock shall be entitled to one vote for every share of such stock standing in his name on the book of the Corporation. All elections of directors by shareholders shall be determined by the vote of the holders of a majority of the stock having voting power and represented in person or by proxy at such meeting and, except as otherwise provided by statute, the Articles of Incorporation or Article XII of these By-Laws, all other matters shall be decided by the vote of the holders of a majority of the stock having voting power and represented in person or by proxy at such meeting.

Section 2.7. Proxies. Each proxy shall be either (i) executed in writing by the shareholder or his duly authorized attorney or (ii) provided through instructions transmitted by or on behalf of the shareholder by telegram, cablegram, or other means of electronic transmission, including Internet and telephonic transmissions, which in the case of this subsection (ii) are both (A) consistent with the procedures of the Corporation designed to verify that such instructions have been authorized by such shareholder and (B) comply with the applicable requirements of the Rhode Island Business Corporation Act for such proxies. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless it shall have specified therein a longer duration. Each proxy shall be revocable at the pleasure of the person executing it or of his personal representative, except in those cases where an irrevocable proxy is permissible under applicable law.

Section 2.8. Consents. Action shall be taken by the shareholders only by unanimous written consent or at annual or special meetings of shareholders of the Corporation except that, if and with the percentage of the outstanding Preference Stock or any series thereof (the "Required Percentage") set forth in the resolution or resolutions adopted by the Board of Directors with respect to the Preference Stock, action may be taken without a meeting, without prior notice and without a vote, if consent in writing setting forth the action so taken, shall be signed by the holders of the Required Percentage of the outstanding Preference Stock or any series thereof entitled to vote thereon.

Section 2.9. Shareholder Proposals. Any new business proposed by any shareholder to be taken up at the annual meeting of shareholders shall be stated in writing and filed with the Secretary of the Corporation at least 150 days before the date of the annual meeting, and all business so stated, proposed and filed shall, if appropriate under applicable law, be considered at the annual meeting, but no other proposal shall be acted upon at the annual meeting. These provisions shall not prevent the consideration and approval or disapproval at the annual meetings of reports of officers, directors and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided. The business to be taken up at a special meeting of shareholders shall be confined to that set forth in the notice of special meeting.

Section 2.10. Nomination of Directors.

(a) Except as otherwise expressly provided in the Articles of Incorporation or pursuant to applicable law, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of notice provided for in this Section 2.10 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice-procedure set forth in this Section 2.10.

(b) In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation (as more fully described below). To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the one year anniversary date of the immediately preceding annual meeting of shareholders; provided that in the event that the annual meeting is not called for at a date that is not within the thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the 10th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs.

(c) To be in proper written form, a shareholder's notice to the Secretary must set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series or number of shares of capital stock of the Corporation that are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder, (ii) the class or series and number of shar es of capital stock of the Corporation that are owned beneficially or of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. The Corporation may require that any proposed nominee furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation. Such written notice from the nominating shareholder must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director, if elected.

(d) Except as otherwise expressly provided in the Articles of Incorporation or pursuant to applicable law, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.10. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

Section 3.1. Board of Directors. The property and business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not, by statute or by the Articles of Incorporation or by these By-Laws, directed or required to be exercised or done by the shareholders. Directors need not be shareholders.

Section 3.2. Number. The number of directors of the Corporation (exclusive of directors that may be elected by the holders of any one or more series of the Preference Stock voting separately as a class or classes) that shall constitute the entire Board of Directors (the "Entire Board of Directors") shall be 17, unless otherwise determined from time to time by resolution adopted by the affirmative vote of a majority of the Entire Board of Directors, except that if an Interested Person (as hereinafter defined in Article XIII of these By-Laws) exists, such majority must include the affirmative vote of at least a majority of the Continuing Directors (as hereinafter defined in Article XIII of these By-Laws).

Section 3.3. Election. Directors shall be elected at the annual meeting of shareholders, or as otherwise provided in the Articles of Incorporation or in these By-Laws.

Section 3.4. Term of Office, Classes. Except with respect to any directors elected by holders of any one or more series of Preference Stock voting separately as a class or classes, directors shall be elected in the following manner. The directors elected at the annual meeting of shareholders held in 2003 shall, along with the directors elected at the annual meeting of shareholders held in 2001, serve until the annual meeting of shareholders to be held in 2004 and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. The directors elected at the annual meeting in 2002 shall hold office until the annual meeting of shareholders held in 2005 and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. Beginning with the annual meeting of shareholders to be held in 2004, at each annual meeting of shareholders the directors elected at such meeting shall serve until the next annual meeting of shareho lders and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. No decrease in the number of directors shall have the effect of shortening the term of office of any incumbent director.

Section 3.5. Removal. Except as otherwise required by law and subject to the terms of any one or more classes or series of outstanding capital stock of the Corporation, any director may be removed; provided, however, such removal must be for cause and must be approved by at least a majority vote of the Entire Board of Directors or by at least a majority of the votes held by the holders of shares of the Corporation then entitled to be voted at an election for that director, except that if an Interested Person exists, such removal must be approved (1) by at least a majority vote of the Entire Board of Directors, including a majority of the Continuing Directors, or (2) by at least 80% of the votes held by the holders of shares of the Corporation then entitled to be voted at an election for that director, including a majority of the votes held by holders of shares of the Corporation then entitled to vote at an election for that director that are not beneficially owned or controlled, directly or indirec tly, by any Interested Person. For purposes of this Section 3.5, the Entire Board of Directors will not include the director who is the subject of the removal determination, nor will such director be entitled to vote thereon. However, nothing in the preceding sentence shall be construed as preventing a director who is the subject of removal determination (but who has not yet actually been removed in accordance with this Section 3.5) from voting on any other matters brought before the Board of Directors, including, without limitation, any removal determination with respect to any other director or directors.

Section 3.6. Vacancies. Except as otherwise provided by the terms of any one or more classes or series of outstanding capital stock of the Corporation, any vacancy occurring on the Board of Directors, including any vacancy created by reason of any increase in the number of directors, shall be filled by the affirmative vote of at least a majority of the remaining directors, whether or not such remaining directors constitute a quorum, except that if an Interested Person exists, such majority of the remaining directors must include a majority of the Continuing Directors. A director elected to fill a vacancy shall serve for the unexpired term of his or her predecessor in office.

ARTICLE IV

MEETINGS OF THE BOARD

Section 4.1. Time and Place. Meetings of the Board of Directors may be held either within or without the State of Rhode Island. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board. Each special meeting of the Board of Directors shall be held at such time and place as shall be stated in the notice of the meeting.

Section 4.2. First Meeting. The first meeting of each newly elected Board of Directors shall be held within ten (10) days following each annual meeting of the shareholders, at such time and place either within or without the State of Rhode Island, as shall be announced at the annual meeting of shareholders, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 4.3. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, any Vice Chairman, any Chief Operating Officer, the President, or the Secretary, and at the written request of any two (2) directors, shall be called by the Secretary. Written notice of each special meeting of directors, stating the time and place thereof, shall be served upon each director, personally, by mail or by telegraph, at least two (2) days before such meeting.

Section 4.4. Quorum and Voting. At all meetings of the Board of Directors a majority of the entire Board of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Articles of Incorporation or by these By-Laws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without further notice other than announcement at the meeting, until a quorum shall be present.

Section 4.5. Telephone Conference Meetings. Meetings of the directors may be held by means of a telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

Section 4.6. Consents. Any action allowed or required to be taken at a meeting of the Board of Directors or by any committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed before or after such action by all of the directors, or all of the members of the committee, as the case may be.

ARTICLE V

COMMITTEES OF DIRECTORS

Section 5.1. Designation; Powers. The Board of Directors may, by resolution or resolutions adopted by a majority of the Entire Board of Directors, designate from among its members an Executive Committee, or other Committees, each consisting of three (3) or more directors, and each of which, to the extent provided in any such resolution, shall have all the authority of the Board, except as provided by law, the Articles of Incorporation or these By-Laws. The Board of Directors may designate one or more directors as alternate members of any such Committee who may replace any absent member or members at any meeting of such Committee.

Section 5.2. Tenure and Reports. Each such Committee shall serve at the pleasure of the Board of Directors. It shall keep minutes of its meetings and report the same to the Board.

ARTICLE VI

NOTICES

Section 6.1. Delivery of Notices. Notices to directors and shareholders shall be in writing and may be delivered personally or by mail. Notice by mail shall be deemed to be given at the time when the same shall be deposited in the post office or a letter box, in a postpaid, sealed wrapper, and shall be addressed to directors or shareholders at their addresses appearing on the books of the Corporation. Notice to directors may also be given by telecopy.

Section 6.2. Waiver of Notice. Whenever any notice is required to be given by any statute, the Articles of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Any shareholder attending a meeting of shareholders in person or by proxy, or any director attending a meeting of the Board of Directors or any committee thereof, without protesting such lack of notice prior to the meeting or at its commencement, shall be deemed conclusively to have waived notice of such meeting. Any shareholder signing a unanimous or other written consent pursuant to Section 2.8 hereof or any director signing a unanimous written consent pursuant to Section 4.6 hereof shall be deemed conclusively to have waived notice of the action taken by such consent.

ARTICLE VII

OFFICERS

Section 7.1. Officers. The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, one or more Chief Operating Officers, one or more Vice Chairmen, a President, Hasbro Toys (U.S.), a President, Hasbro Games (U.S.), one or more Vice Presidents, a Treasurer, a Controller, and a Secretary, each of whom shall be elected annually by the directors at their annual meeting, and shall hold office at the pleasure of the Board of Directors. Any person may hold two or more such offices.

Section 7.2. Additional Officers. The Board of Directors may appoint such other officers and agents, including, without limitation, Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controllers with such powers and duties as it shall deem necessary or appropriate. All such officers or agents shall hold office at the pleasure of the Board of Directors.

Section 7.3. Authorities and Duties. All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-Laws, or, to the extent not so provided, as may be prescribed by the Board of Directors.

Section 7.4. Salaries. The salaries or other compensation of all officers of the Corporation shall be fixed by the Board of Directors. The salaries or other compensation of all other employees and agents of the Corporation may be fixed by the Board of Directors. However, the Board of Directors may delegate to one or more officers or employees authority to employ and to fix the salaries or other compensation of any such employees or agents.

Section 7.5. The Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.6. The Vice Chairman. In the absence of the Chairman of the Board, the Vice Chairman (and if there is more than one Vice Chairman, the Vice Chairmen in order of their seniority or as otherwise determined by the Board) shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.7. The Chief Operating Officers. In the absence of the Chairman of the Board and any Vice Chairman, any Chief Operating Officer (and if there is more than one Chief Operating Officer, in order of their seniority or as otherwise determined by the Board) shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.8. The President. In the absence of the Chairman of the Board, any Vice Chairman and the Chief Operating Officers, the President shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.9. The Vice Presidents. The Vice Presidents in the order of their seniority, as indicated by their titles (Executive, Senior, etc.) or as otherwise determined by the Board of Directors, shall, in the absence of the Chairman of the Board, any Vice Chairmen, the Chief Operating Officers and the President, perform the duties and exercise the powers of the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers and the President, shall perform such other duties as the Board of Directors shall prescribe and shall generally assist the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers and the President.

Section 7.10. The Secretary. The Secretary shall attend meetings of the Board of Directors and shareholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees of the Board of Directors when required. He shall give, or cause to be given, notice of meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers and the President, under whose collective supervision he shall be. He shall keep in safe custody the seal of the Corporation and, when authorized by the Board of Directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary or Treasurer. He shall keep in safe custody the certificate books and stock books and s uch other books and papers as the Board of Directors may direct and shall perform all other duties incident to the office of Secretary.

Section 7.11. Assistant Secretaries. The Assistant Secretaries in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

Section 7.12. The Treasurer. The Treasurer shall have the care and custody of the corporate funds, and other valuable effects, including securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers, the President and the Board of Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond for such term, in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 7.13. Assistant Treasurers. The Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors may prescribe.

Section 7.14. Execution of Instruments. Each of the Chairman of the Board, the Vice Chairman, the Chief Operating Officers, the President and the Executive Vice Presidents shall have the power to sign on behalf of the Corporation bonds, notes, deeds, mortgages, guarantees and any and all contracts, agreements and instruments of a contractual nature pertaining to matters which arise in the normal conduct and ordinary course of the business of the Corporation, except in cases in which the signing and execution thereof shall have been expressly delegated by the Board of Directors of the Corporation to some other officer or agent of the Corporation.

ARTICLE VIII

CERTIFICATES OF STOCK

Section 8.1. Form. The certificates of stock of the corporation shall be in such form as shall be determined by the Board of Directors and shall be numbered consecutively and entered in the books of the Corporation as they are issued. Each certificate shall exhibit the registered holder's name and the number and class of shares, and shall be signed by the Chairman of the Board, any Vice Chairman, any Chief Operating Officer, the President, any Executive Vice President, Senior Vice President, or Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, and shall bear the seal of the Corporation or an engraved or printed facsimile thereof. Where any such certificate is signed by a transfer agent or by a registrar, the signature of the Chairman of the Board, any Vice Chairman, any Chief Operating Officer, the President, Executive Vice President, Senior Vice President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may b e a facsimile. In case any officer, transfer agent or registrar, who has signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates, shall cease to be such officer, transfer agent or registrar of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer, transfer agent or registrar of the Corporation.

Section 8.2. Registered Shareholders. The Corporation shall be entitled to (1) recognize the exclusive right of a person registered on its books as the owner of shares as entitled to receive dividends and notices of meetings of shareholders and to vote as such owner; and (2) hold liable for calls and assessments a person registered on its books as the owner of shares; and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 8.3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed, and upon such other terms as the Board of Directors may prescribe; and the Board of Directors may, in its discretion and as a condition precedent to the issuance of a new certificate or certificates, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum and with such surety or sureties as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 8.4. Record Date.

(a) For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting nor more than sixty (60) days prior to any other action.

(b) If no record date is fixed:

(1) The record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice *is* given, or, if no notice is given, the day on which the meeting is held.

(2) The record date for determining shareholders for any purpose other than that specified in subparagraph (1) shall be at the close of business on the day on which the resolution of the Board relating thereto is adopted.

(c) When a determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board fixes a new record date under this section for the adjourned meeting.

Section 8.5. Fractional Shares. The Corporation may (1) issue fractions of a share, (2) arrange for the disposition of fractional interests by those entitled thereto, (3) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (4) issue scrip in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip aggregating a full share. A certificate for a fractional share shall, but scrip shall not, unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation. The Board of Directors may cause scrip to be issued subject to the condition that it shall become void if not exchanged for certificates representing full shares before a specified date, or subject to the condition that the shares for which scrip is exchangeable may be sold by the Corporation and the proceeds thereof distributed to the holders of scrip, or subject to any other conditions which the Board of Directors may deem advisable.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1. Dividends. Subject always to the provisions of the law and the Articles of Incorporation, the Board of Directors shall have full power to determine whether any, and if any, what part of any, funds legally available for the payment of dividends shall be declared in dividends and paid to shareholders; the division of the whole or any part of such funds of the Corporation shall rest wholly within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the shareholders as dividends or otherwise; and the Board of Directors may fix a sum which may be set aside or reserved over and above the capital paid in of the Corporation as working capital for the Corporation or as a reserve for any proper purpose, and from time to time may increase, diminish, and vary the same in its absolute judgment and discretion.

Section 9.2. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 9.3. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Incorporated, Rhode Island". Said seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 9.4. Instruments for the Payment of Money. All checks or other instruments for the payment of money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

ARTICLE X

INDEMNIFICATION

Section 10.1. Without limiting the provisions of Section 10.2 , each person who at any time serves or shall have served as a director or officer of the Corporation or who, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a member of any committee of the Board of Directors or as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise or employee benefit plan shall be indemnified to the full extent permitted by Title 7-1.1-4.1 of the Rhode Island Business Corporation Act, as the same may be amended from time to time.

Section 10.2. Nothing contained in this ARTICLE X shall affect any rights to indemnification to which directors and officers may be entitled by agreement, vote of shareholders or disinterested directors or otherwise.

ARTICLE XI

AMENDMENTS

Section 11.1. Power to Amend. The Board of Directors is authorized to adopt, repeal, alter, amend or rescind these By-Laws by the affirmative vote of at least a majority of the Entire Board of Directors, except that if an Interested Person exists, such Board action must be taken by the affirmative vote of at least a majority of the Entire Board of Directors, including a majority of the Continuing Directors. The shareholders may adopt, repeal, alter, amend or rescind the By-Laws of the Corporation by the vote of at least 66-2/3% of the votes held by holders of shares of Voting Stock (as hereinafter defined) except that if an Interested Person exists, such shareholder action must be taken by the vote of at least 80% of the votes held by holders of shares of Voting Stock, including an Independent Majority of Shareholders (as hereinafter defined in Article XIII of these By-Laws).

ARTICLE XII

BUSINESS COMBINATIONS

Section 12.1. Subject to Section 12.2 of this Article XII, but notwithstanding any other provisions of these By-Laws or of the Articles of Incorporation or the fact that no vote for such a transaction may be required by law or that approval by some lesser percentage of shareholders may be permitted by law, neither the Corporation nor any Subsidiary shall be party to a Business Combination (as hereinafter defined in Article XIII of these By-Laws) unless all of the following conditions are met:

(1) After becoming an Interested Person and prior to consummation of such Business Combination:

(a) such Interested Person shall not have acquired any newly issued shares of capital stock, directly or indirectly, from the Corporation or a Subsidiary (except upon exercise or conversion of warrants or other rights, including preemptive rights, or convertible securities acquired by an Interested Person prior to becoming an interested Person or upon compliance with the provisions of this Article XII or as a result of a pro rata stock dividend or stock split);

(b) such Interested Person shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by the Corporation or a Subsidiary, or have made any major changes in the Corporation's business or equity capital structure;

(c) except as approved by a majority of the Continuing Directors, there shall have been (i) no reduction in the annual rate of dividends paid on voting Stock (except as necessary to reflect a pro rata stock dividend or stock split) and (ii) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Voting Stock; and

(d) such Interested Person shall have taken steps to insure that the Board of Directors of the Corporation included at all times representation by Continuing Directors proportionate to the ratio that the number of shares of Voting Stock (as hereinafter defined in Article XIII of these By-Laws) from time to time owned by shareholders who are not Interested Persons bears to all shares of Voting Stock outstanding at the time in question (with a Continuing Director to occupy any resulting fractional position among the directors); and

(2) The Business Combination shall have been approved by at least a majority of the Entire Board of Directors of the Corporation, including a majority of the Continuing Directors; and

(3) A shareholder's meeting shall have been called for the purpose of approving the Business Combination and a proxy statement complying with the requirements of the Exchange Act, as amended, or any successor statute or rule, whether or not the Corporation is then subject to such requirements, shall be mailed to all shareholders of the Corporation not less than thirty (30) days prior to the date of such meeting for the purpose of soliciting shareholder approval of such Business Combination and shall contain at the front thereof, in a prominent place, (a) any recommendations as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors may choose to state, and (b) the opinion of a reputable national investment banking firm as to the fairness (or lack thereof) of the terms of such Business Combination, from the point of view of the remaining shareholders of the Corporation (such investment banking firm to be engaged by a majority of the Continuing Directors solely on behalf of the remaining shareholders and paid a reasonable fee for their services, which fee shall not be contingent upon the consummation of the transaction); and

(4) The Business Combination shall have been approved by at least 80% of the votes held by the holders of the outstanding Voting Stock, including an Independent Majority of Shareholders.

Section 12.2. The approval requirements of Section 12.1 shall not apply to any particular Business Combination, and such Business Combination shall require only such affirmative shareholder vote as is required by law, any other provision of the Articles of Incorporation or of these By-Laws, the terms of any outstanding classes or series of capital stock of the Corporation or any agreement with any national securities exchange, if the Business Combination is approved by a majority of the Entire Board of Directors, including the affirmative vote of at least 66-2/3% of the Continuing Directors.

Section 12.3. The Board of Directors of the Corporation, when evaluating any offer of another Person (the "Offering Person") (i) to make a tender or exchange offer for any equity security of the Corporation or (ii) to effect any Business Combination (as defined in Article XIII of these By-Laws, except that for purposes of this Section 12.3 the term "Person" shall be substituted for the term "Interested Person"), shall, in connection with the exercise of the Board's judgment in determining what is in the best interests of the Corporation as a whole, be authorized to give due consideration to such factors as the Board of Directors determines to be relevant, including, without limitation:

(a) the relationships between the consideration offered by the Offering Person and (x) the market price of the voting Stock over a period of years, (y) the current and future value of the Corporation as an independent entity and (z) political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects;

(b) the interests of all of the Corporation's shareholders, including minority shareholders;

(c) whether the proposed transaction might violate federal, state, local or foreign laws;

(d) the competence, experience and integrity of the Offering Person and its management; and

(e) the social, legal and economic effects upon employees, suppliers, customers, licensors, licensees and other constituents of the Corporation and its Subsidiaries and on the communities in which the Corporation and its Subsidiaries operate or are located.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and to engage in such legal proceedings as the Board of Directors may determine.

Section 12.4. As to any particular transaction, the Continuing Directors shall have the power and duty to determine, on the basis of information known to them:

(a) The amount of Voting Stock beneficially owned by any Person (as hereinafter defined in Article XIII of these By-Laws);

(b) Whether a Person is an Affiliate (as herein after defined in Article XIII of these By-Laws) or Associate (as hereinafter defined in Article XIII of these By-Laws) of another;

(c) Whether a Person has an agreement, arrangement or understanding with, or is acting in concert with, another;

(d) Whether the assets subject to any Business Combination constitute a Substantial Part (as hereinafter defined in Article XIII of these By-Laws);

(e) Whether a proposed transaction is proposed, directly or indirectly, by or on behalf of any Person;

(f) Whether a proposed amendment of any Article of the Articles of Incorporation would have the effect of modifying or permitting circumvention of the provisions of Article Eighth through Twelfth of the Articles of Incorporation; and

(g) Such other matters with respect to which a determination is required under Articles Eighth through Twelfth of the Articles of Incorporation.

Any such determination shall be conclusive and binding for all purposes of the Articles of Incorporation and of these By-Laws.

Section 12.5. The affirmative votes required by this Article XII is in addition to the vote of the holders of any class or series of capital stock of the Corporation otherwise required by law, the Articles of Incorporation or these By-Laws, any resolution which has been adopted by the Board of Directors providing for the issuance of a class or series of capital stock or any agreement between the Corporation and any national securities exchange.

Section 12.6. Nothing contained in this Article XII shall be construed to relieve any Interested Person from any fiduciary or other obligation imposed by law.

ARTICLE XIII

DEFINITIONS

For the purposes of these By-Laws:

(1) The term "beneficial owner" and correlative terms shall have the meaning as set forth in Rule 13d-3 of the

General Rules and Regulations (the "General Rules") promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934 (the "Exchange Act"), as in effect on June 5, 1985, except that the words "within sixty days" in Rule 13d-3(d) (1) (i) shall be omitted.

(2) The term "Business Combination" shall mean:

(a) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) (i) with an Interested Person, any Affiliate (as hereinafter defined) or Associate (as hereinafter defined) of an Interested Person or any Person (as hereinafter defined) acting in concert with an Interested Person (including, without limitation, any Person, which after such merger or consolidation, would be an Affiliate or Associate of an Interested Person), in each case irrespective of which Person is the surviving entity in such merger or consolidation, or (ii) proposed, directly or indirectly, by or on behalf of an Interested Person;

(b) any sale, lease, exchange, transfer, distribution to shareholders or other disposition, including, without limitation, a mortgage, pledge or other security device, by the Corporation or any Subsidiary (in a single transaction or a series of separate or related transactions) of all, substantially all or any Substantial Part (as hereinafter defined) of the assets or business of the Corporation or a Subsidiary (including, without limitation, any securities of a Subsidiary) (i) to or with an Interested Person, or (ii) proposed, directly or indirectly, by or on behalf of an Interested Person;

(c) the purchase, exchange, lease or other acquisition, including, without limitation, a mortgage, pledge or other security device, by the Corporation or any Subsidiary (in a single transaction or a series of separate or related transactions) of all, substantially all or any Substantial Part of the assets or business of (i) an Interested Person, or (ii) any Person, if such purchase, exchange, lease or other acquisition is proposed, directly or indirectly, by or on behalf of an Interested Person;

(d) the issuance of any securities, or of any rights, warrants or options to acquire any securities, by the Corporation or a Subsidiary to an Interested Person (except (i) as a result of a pro rata stock dividend or stock split, (ii) upon the exercise or conversion of warrants or other rights, including preemptive rights, or convertible securities acquired by an Interested Person prior to or simultaneously with becoming an Interested Person or (iii) upon conversion of publicly traded convertible securities of the Corporation) or the acquisition by the Corporation or a Subsidiary of any securities, or of any rights, warrants or options to acquire any securities, issued by an Interested Person;

(e) any plan or proposal for, or which has the effect of, the partial or complete liquidation, dissolution, spin off, split off or split up of the Corporation or any Subsidiary proposed, directly or indirectly, by or on behalf of an Interested Person;

(f) any of the following which has the effect, directly or indirectly, of increasing the proportionate amount of Voting Stock or capital stock of any Subsidiary thereof which is beneficially owned by an Interested Person: any reclassification of securities (including, without limitation, any reverse stock split) of the Corporation, any issuance of any Voting Stock or other securities of the Corporation, any recapitalization of the Corporation or any merger, consolidation or other transaction (whether or not with or into or otherwise involving an Interested Person); and

(g) any agreement, contract, understanding or other arrangement providing for any of the transactions described in this subsection (2) of this Article XIII.

(3) The term "Continuing Director" shall mean (i) a director serving continuously as a director of the Corporation from and including June 5, 1985; (ii) a person who was a member of the Board of Directors of the Corporation immediately prior to the time that any then existing Interested Person became an Interested Person, (iii) a person not affiliated with any Interested Person and designated (before or simultaneously with initially becoming a director) as a Continuing Director by at least a majority of the then Continuing Directors and (iv) a director deemed to be a Continuing Director in accordance with the last sentence of this subsection (3) of this Article XIII. All references to action by a specified percentage of the Continuing Directors shall mean a vote of such specified percentage of the total number of Continuing Directors of the Corporation at a meeting at which at least such specified percentage of the total number o f Continuing Directors shall have been in attendance. Whenever a condition requires the act of a specified percentage of Continuing Directors, such condition shall not be capable of fulfillment unless there *is* at least one Continuing Director. If all of the capital stock of the Corporation is beneficially owned by one Person continuously for at least three consecutive years during which period at least three annual meetings of shareholders shall have taken place, at which meetings all of the Continuing Directors as defined in clauses (i) -(iii) above shall not have been reelected, all directors elected from and after such third consecutive year shall be deemed Continuing Directors.

(4) The term "Independent Majority of Shareholders" shall mean the majority of the votes held by holders of shares of the outstanding Voting Stock that are not beneficially owned or controlled, directly or indirectly, by any Interested Person.

(5) The term "Interested Person" shall mean (i) any Person, which, together with its "Affiliates" and "Associates" (as defined in Rule 12b-2 of the General Rules promulgated by the Commission under the Exchange Act, as in effect on June 5, 1985) and any Person acting in concert therewith, is the beneficial owner, directly or indirectly, of ten percent (10%) or more of the votes held by the holders of shares of Voting Stock, (ii) any Affiliate or Associate of an Interested Person, including, without limitation, a Person acting in concert therewith, (iii) any Person that at any time within the two year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of ten percent (10%) or more of the votes held by the holders of shares of Voting Stock, or (iv) an assignee of, or successor to, any shares of Voting Stock which were at any time within the two-year period prior to the date in question beneficially owned by any Interested Person, if such assignment or successio n shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended. For purposes of determining the percentage of votes held by a Person, any Voting Stock not outstanding which is subject to any option, warrant, convertible security, preemptive or other right held by such Person (whether or not such option, warrant, convertible security, preemptive or other right is currently exercisable) shall be deemed to be outstanding for the purpose of computing the percentage of votes held by such Person.

Notwithstanding anything contained in the immediately preceding paragraph, the term "Interested Person" shall not include (A) a Subsidiary of the Corporation or (B) a Continuing Director who beneficially owned, on June 5, 1985, ten percent (10%) or more of the votes held by the holders of shares of Voting Stock and any Affiliate or Associate of one or more of such Continuing Directors. For purposes of Articles III and XI of these By-Laws, the term "Interested Person" shall not include any Person which shall have deposited all of its Voting Stock in a voting trust (only and for so long as the voting trust shall be continuing and all of such Person's Voting Stock shall remain deposited in the Voting Trust) pursuant to an agreement with the Corporation providing the Corporation with the power to appoint a majority of the voting trustees of the voting trust who, in turn, shall have the power to vote all of the shares of Voting Stock in the voting trust, in their discretion, for the election of director s of the Corporation and the amendment of the Articles of Incorporation and/or these By-Laws. The agreement by the Corporation with any Person described in the immediately preceding sentence to use its best efforts to elect one designee of such Person as a director and to cause the voting trustees appointed by the Corporation to vote for such designee shall not cause such Person to be deemed an Interested Person for purposes of Articles III and XI of these By-Laws.

A Person who is an Interested Person as of (x) the time any definitive agreement, or amendment thereto, relating to a Business Combination is entered into, (y) the record date for the determination of shareholders entitled to notice of and to vote on a Business Combination, or (z) immediately prior to the consummation of a Business Combination shall be deemed an Interested Person for purposes of this definition.

(6) The term "Person" shall mean any individual, corporation, partnership or other person, group or entity (other than the Corporation, any Subsidiary or a trustee holding stock for the benefit of employees of the Corporation or its Subsidiaries, or anyone of them, pursuant to one or more employee benefit plans or arrangements). When two or more Persons act as a partnership, limited partnership, syndicate, association or other group for the purpose of acquiring, holding or disposing of securities, such partnership, syndicate, association or group will be deemed a "Person".

(7) The term "Subsidiary" shall mean any corporation or other entity fifty percent (50%) or more of the equity of which is beneficially owned by the Corporation; provided, however, that for purposes of the definition of Interested Person set forth in subsection (5) of this Article XIII and the definition of Person set forth in subsection (6) of this Article XIII, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is beneficially owned by the Corporation.

(8) The term "Substantial Part", as used in reference to the assets or business of any Person means assets or business having a value of more than ten percent (10%) of the total consolidated assets of the Corporation and its Subsidiaries as of the end of the Corporation's most recent fiscal year ending prior to the time the determination is made.

(9) For the purposes of determining the number of "votes held by holders" of shares, including Voting Stock, of the Corporation, each share shall have the number of votes granted to it pursuant to Article Fifth of the Articles of Incorporation of the Corporation.

(10) The term "Voting Stock" shall mean stock or other securities of the Corporation entitled to vote generally in the election of directors.