

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 period ended March 30, 1997

Commission file number 1-6682

HASBRO, INC.

(Name of Registrant)

Rhode Island

05-0155090

(State of Incorporation)

(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02861

(Principal Executive Offices)

(401) 431-8697

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 or No
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The number of shares of Common Stock, par value \$.50 per share, outstanding as of April 25, 1997 was 128,079,854.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Thousands of Dollars Except Share Data)
(Unaudited)

Assets	Mar. 30, 1997	Mar. 31, 1996	Dec. 29, 1996
	-----	-----	-----
Current assets			
Cash and cash equivalents	\$ 289,546	136,860	218,971
Accounts receivable, less allowance for doubtful accounts of \$47,000, \$49,800 and \$46,600	517,022	528,632	807,149
Inventories:			
Finished products	214,342	266,020	209,903
Work in process	17,167	18,145	16,810
Raw materials	37,436	50,902	46,534
Total inventories	268,945	335,067	273,247
Deferred income taxes	77,641	85,131	78,031
Prepaid expenses	102,754	90,830	109,191
Total current assets	1,255,908	1,176,520	1,486,589

Property, plant and equipment, net	299,626	307,217	313,545
	-----	-----	-----
Other assets			
Cost in excess of acquired net assets, less accumulated amortization of \$118,986, \$103,332 and \$115,312	455,358	478,264	460,467
Other intangibles, less accumulated amortization of \$107,850, \$84,421 and \$102,387	362,267	373,514	364,987
Other	76,729	68,345	75,921
	-----	-----	-----
Total other assets	894,354	920,123	901,375
	-----	-----	-----
Total assets	\$2,449,888	2,403,860	2,701,509
	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets, Continued

(Thousands of Dollars Except Share Data)
(Unaudited)

Liabilities and Shareholders' Equity	Mar. 30, 1997	Mar. 31, 1996	Dec. 29, 1996
	-----	-----	-----
Current liabilities			
Short-term borrowings	\$ 69,543	93,402	120,736
Trade payables	91,967	107,607	174,337
Accrued liabilities	315,913	315,601	399,896
Income taxes	120,428	111,270	135,849
	-----	-----	-----
Total current liabilities	597,851	627,880	830,818
Long-term debt, excluding current installments	149,208	149,987	149,382
Deferred liabilities	68,937	72,409	69,263
	-----	-----	-----
Total liabilities	815,996	850,276	1,049,463
	-----	-----	-----
Shareholders' equity			
Preference stock of \$2.50 par value. Authorized 5,000,000 shares; none issued	-	-	-
Common stock of \$.50 par value. Authorized 300,000,000 shares; issued 132,168,378, 88,087,198 and 132,160,293	66,084	44,044	66,080
Additional paid-in capital	280,128	306,327	282,922
Retained earnings	1,378,803	1,215,639	1,362,791
Foreign currency translation	5,467	20,148	21,487
Treasury stock, at cost, 3,705,166, 1,019,161 and 3,297,628 shares	(96,590)	(32,574)	(81,234)
	-----	-----	-----
Total shareholders' equity	1,633,892	1,553,584	1,652,046
	-----	-----	-----
Total liabilities and shareholders' equity	\$2,449,888	2,403,860	2,701,509
	=====	=====	=====

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Earnings

(Thousands of Dollars Except Share Data)
(Unaudited)

Quarter Ended	
-----	-----
Mar. 30, 1997	Mar. 31, 1996

Net revenues	\$555,784	538,685
Cost of sales	235,371	237,771
Gross profit	320,413	300,914
Expenses		
Amortization	10,032	9,799
Royalties, research and development	63,892	54,422
Advertising	71,302	70,276
Selling, distribution and administration	134,781	125,365
Total expenses	280,007	259,862
Operating profit	40,406	41,052
Nonoperating (income) expense		
Interest expense	4,430	4,906
Other (income), net	(4,171)	(2,963)
Total nonoperating expense	259	1,943
Earnings before income taxes	40,147	39,109
Income taxes	14,453	14,744
Net earnings	\$ 25,694	24,365
Per common share		
Net earnings	\$.20	.18
Cash dividends declared	\$.08	.07

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Quarters Ended March 30, 1997 and March 31, 1996

(Thousands of Dollars)
(Unaudited)

	1997	1996
	----	----
Cash flows from operating activities		
Net earnings	\$ 25,694	24,365
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of plant and equipment	20,600	18,678
Other amortization	10,032	9,799
Deferred income taxes	(1,553)	1,991
Change in operating assets and liabilities (other than cash and cash equivalents):		
Decrease in accounts receivable	271,373	258,408
Increase in inventories	(2,616)	(18,196)
Decrease (increase) in prepaid expenses	4,757	(18,678)
Decrease in trade payables and accrued liabilities	(164,747)	(215,994)
Other	930	1,658
Net cash provided by operating activities	164,470	62,031
Cash flows from investing activities		
Additions to property, plant and equipment	(12,536)	(13,811)
Investments and acquisitions, net of cash acquired	(2,719)	(21,296)
Other	(1,577)	(7,228)
Net cash utilized by investing activities	(16,832)	(42,335)
Cash flows from financing activities		
Proceeds from borrowings with original maturities of more than three months	-	5,778
Repayments of borrowings with original maturities of more than three months	(2,499)	(21,905)
Net repayments of other short-term borrowings	(42,596)	(8,851)
Purchase of common stock	(32,511)	(14,969)
Stock option transactions	14,191	4,380

Dividends paid	(8,561)	(6,977)
	-----	-----
Net cash utilized by financing activities	(71,976)	(42,544)
	-----	-----
Effect of exchange rate changes on cash	(5,087)	(1,322)
	-----	-----
Increase (decrease) in cash and cash equivalents	70,575	(24,170)
Cash and cash equivalents at beginning of year	218,971	161,030
	-----	-----
Cash and cash equivalents at end of period	\$289,546	136,860
	=====	=====

Supplemental information

Cash paid during the period for:

Interest	\$ 1,697	2,206
Income taxes	\$ 29,617	10,890

See accompanying condensed notes to consolidated financial statements.

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

(Thousands of Dollars)
(Unaudited)

(1) In the opinion of management and subject to year-end audit, the accompanying unaudited interim financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of March 30, 1997 and March 31, 1996, and the results of operations and cash flows for the periods then ended.

The results of operations for the quarter ended March 30, 1997, are not necessarily indicative of results to be expected for the full year.

(2) Per share data have been adjusted to reflect the three-for-two stock split paid March 21, 1997.

(3) Earnings per common share are based on the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during each period. Common stock equivalents include stock options and warrants for the period prior to their exercise. Under the treasury stock method, the unexercised options and warrants are assumed to be exercised at the beginning of the period or at issuance, if later. The assumed proceeds are then used to purchase common stock at the average market price during the period.

For each of the reported periods the difference between primary and fully diluted earnings per share was not significant.

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

(Thousands of dollars)

NET REVENUES

Net revenues for the first quarter of 1997 were \$555,784, compared with the \$538,685 reported for the same period of 1996. Increased revenue from products associated with the theatrical re-release of the Star Wars trilogy, was a major factor in this growth. Also contributing to increased volumes in the United States were the Company's line of Super Soaker water toys and the Hasbro Interactive range of CD-ROM classic games. Internationally, the Company experienced growth, both in local currency and U.S. dollars, in Canada, Mexico, Latin America and Australia, while in Europe, moderate local currency gains were more than offset by the approximate \$8 million impact of the strengthened dollar.

GROSS PROFIT

The Company's gross profit margin, expressed as a percentage of net revenues, increased almost two percentage points to 57.7% from the 1996 level of 55.9%.

The mix of products sold, coupled with reduced manufacturing overheads, is primarily responsible for the 1997 improvement.

EXPENSES

Royalties, research and development expenses for the quarter increased in both amount and as a percentage of revenues from 1996 levels. The royalty component increased in both, reflecting the increased revenues and the change in mix of products sold. Research and development remained constant as a percentage of revenues while increasing slightly in amount to \$31,057 for the quarter, compared to \$30,119 in 1996.

The current quarter advertising decreased as a percentage of net revenues to 12.8% from 13.0% a year ago, while increasing marginally in amount. The decrease in percentage is the result of several factors including the lower portion of the Company's revenues coming from the international marketing units which generally have higher advertising to sales ratios than do the United States groups and lower advertising costs with respect to the United States toy products.

The Company's selling, distribution and administration expenses increased from their 1996 levels, both in amount and as a percentage of net revenues. Absent the impact of the previously announced closure of a manufacturing facility in the U.K., however, they remained essentially flat when expressed as a percentage of net revenues. The increased dollar amount reflects increased shipping costs as well as the impact of new operations in Chile, Peru and Argentina.

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

(Thousands of dollars)

NONOPERATING (INCOME) EXPENSE

Net nonoperating expense decreased to \$259 in the first quarter of 1997 from \$1,943 a year ago. This was primarily the result of lower net interest expense, as both short-term borrowing and investment levels were favorable compared to 1996, reflecting the cash generated from operations during the most recent twelve months. Additionally, interest rates on short-term investments were favorable as compared to 1996.

INCOME TAXES

Income tax expense as a percentage of pretax earnings in the first quarter of 1997 decreased to 36.0% from 37.7% in the first quarter of 1996. This decrease reflects changes in Hasbro's operations begun in prior years, as well as the impact of certain strategies implemented during 1996. These changes and strategies realized a tax benefit for certain international operating losses and helped further reduce state income taxes.

OTHER INFORMATION

During the past several years the Company has experienced a shift in its revenue pattern wherein the second half of the year has grown in significance to its overall business and within that half the fourth quarter has become more prominent. The Company expects that this trend will continue. This concentration 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 and inventory levels of retailers and differences in overall economic conditions. Also, quick response inventory management practices now being used results in fewer orders being placed in advance of shipment and more orders, when placed, for immediate delivery. As a result, comparisons of unshipped orders on any date in a given year with those at the same date in a prior 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 the end of its fiscal April (April 27, 1997 and April 28, 1996) the Company's unshipped orders were approximately \$410,000 and \$380,000, respectively.

(Thousands of dollars)

LIQUIDITY AND CAPITAL RESOURCES

Because of the seasonality of the Company's business coupled with certain customer incentives, mainly in the form of extended payment terms, the interim cash flow statements are not representative of that which may be expected for the full year. As a result of these extended payment terms, 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 late in the fourth quarter and through the first quarter of the subsequent year, cash flow from operations becomes positive and is used to repay a significant portion of the short-term borrowings.

As a result, management believes that on an interim basis, rather than discussing its cash flows, a better understanding of its liquidity and capital resources can be obtained through a discussion of the various balance sheet categories. 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 and the extended payment terms offered, 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 and cash equivalents at March 30, 1997, were approximately double their 1996 level. The Company attempts to keep its cash and cash equivalents at the lowest level possible whenever it has short-term borrowings, although at times the cash available and the borrowing requirement may be in different countries and currencies which may make it impractical to substitute one for the other. Despite first quarter revenue growth of \$17,000, receivables were approximately \$10,000 less than at the same time a year ago. This reflects the favorable impact of increased sales in markets with shorter sales terms. Inventories decreased significantly from the prior year, primarily in the U.S., reflecting the Company's continuing efforts to better manage its inventories while still being able to supply customers on a timely basis. Other assets, as a group, decreased from their 1996 levels, reflecting twelve additional months of amortization expense, partially offset by the Company's acquisitions of product rights and licenses during the most recent twelve months.

Short-term borrowings, at \$69,543 were approximately \$24,000, or 25% less than last year, again reflecting funds generated from operations within the most recent twelve months available to reduce such borrowings. At March 30, 1997, the Company had committed unsecured lines of credit totaling approximately \$550,000 available to it. It also had available uncommitted lines approximating \$750,000. The Company believes that these amounts are adequate for its needs. Of these available lines, approximately \$90,000 was in use at March 30, 1997.

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

(Thousands of dollars)

RECENT INFORMATION

On May 2, 1997, the Company completed its previously announced acquisition of the assets of Cap Toys and OddzOn Products from Russ Berrie and Company, Inc.

In the fourth quarter of 1997, the Company will adopt Statement of Financial Accounting Standards No. 128, Earnings Per Share (SFAS 128) and Statement of Financial Accounting Standards No. 129, Disclosure of Information about Capital Structure (SFAS 129). SFAS 128 establishes new computation, presentation and disclosure requirements for earnings per share, however, the Company does not expect that its adoption will have any material impact on its earnings per share. SFAS 129 formalizes disclosure requirements related to an entity's capital structure and, as such, will not have any impact on the Company's financial condition or its results of operation.

PART II. Other Information

Item 1. Legal Proceedings.

On April 22, 1997, the United States Environmental Protection Agency (EPA) and Hasbro, Inc. entered into a negotiated Consent Agreement to resolve a dispute concerning Hasbro's compliance with the Federal Insecticide, Fungicide and Rodenticide Act in connection with its labeling of certain Playskool toys containing an antibacterial additive known as Microban(R). In the Consent Agreement, Hasbro agreed to pay an administrative penalty of one hundred and twenty thousand dollars (\$120,000) to the United States Treasury.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None

Item 5. Other Information.

None.

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

(a) Exhibits.

- 11 Computation of Earnings Per Common Share - Quarters Ended March 30, 1997 and March 31, 1996.
- 12 Computation of Ratio of Earnings to Fixed Charges - Quarter Ended March 30, 1997.
- 27 Financial Data Schedule.

(b) Reports on Form 8-K

A Current Report on Form 8-K dated April 21, 1997 was filed by the Company and included the Press Release dated April 21, 1997 announcing the Company's results for the current quarter. Consolidated Statements of Earnings (without notes) for the quarters ended March 30, 1997 and March 31, 1996 and Consolidated Condensed Balance Sheets (without notes) as of said dates 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: May 13, 1997

By: /s/ John T. O'Neill

John T. O'Neill

Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Exhibit Index

Exhibit No. -----	Exhibits -----
11	Statement re computation of per share earnings - quarter
12	Statement re computation of ratios
27	Financial Data Schedule

HASBRO, INC. AND SUBSIDIARIES
 Computation of Earnings Per Common Share
 Quarters Ended March 30, 1997 and March 31, 1996

(Thousands of Dollars and Shares Except Per Share Data)

	1997		1996(a)	
	----- Primary -----	Fully Diluted -----	----- Primary -----	Fully Diluted -----
Net earnings	\$ 25,694	25,694	24,365	24,365
Interest and amortization on 6% convertible notes, net of taxes	-	1,437	-	1,441
Net earnings applicable to common shares	\$ 25,694 =====	27,131 =====	24,365 =====	25,806 =====
Weighted average number of shares outstanding:(b)				
Outstanding at beginning of period	128,863	128,863	131,017	131,017
Actual exercise of stock options	327	327	112	112
Assumed exercise of stock options and warrants	2,476	2,554	1,288	1,579
Actual conversion of 6% convertible notes	5	5	-	-
Assumed conversion of 6% convertible notes	-	7,635	-	7,671
Purchase of common stock	(597)	(597)	(256)	(256)
Total	131,074 =====	138,787 =====	132,161 =====	140,123 =====
Per common share:				
Net earnings	\$.20 =====	.20 =====	.18 =====	.18 =====

(a) Adjusted to reflect the three-for-two stock split paid March 21, 1997.

(b) Computation to arrive at the average number is a weighted average computation.

HASBRO, INC. AND SUBSIDIARIES
 Computation of Ratio of Earnings to Fixed Charges
 Quarter Ended March 30, 1997

(Thousands of Dollars)

Earnings available for fixed charges:	
Net earnings	\$ 25,694
Add:	
Fixed charges	8,134
Income taxes	14,453

Total	\$ 48,281
	=====
 Fixed Charges:	
Interest on long-term debt	\$ 2,304
Other interest charges	2,126
Amortization of debt expense	85
Rental expense representative of interest factor	3,619

Total	\$ 8,134
	=====
 Ratio of earnings to fixed charges	5.94
	=====

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MAR-30-1997

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555,784

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