SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1995 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
(Address of Principal Executive Offices)

(401) 431-8697

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	American Stock Exchange
Preference Share Purchase Rights	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part II of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the price at which the stock was sold on March 15, 1996 was $2,783,064,909.

The number of shares of Common Stock outstanding as of March 15, 1996 was 87,182,186.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive proxy statement for its 1996 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

Selected information contained in registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1995, is included as Exhibit 13, and incorporated by reference into Parts I and II of this Report.

PART I

ITEM 1. BUSINESS

(a) General Development of Business

The Company designs, manufactures and markets a diverse line of toy products and related items throughout the world. Included in its offerings are games and puzzles, preschool, boys' action and girls' toys, dolls, plush products and infant products, including infant apparel. The Company also licenses various tradenames, characters and other property rights for use in connection with the sale by others of noncompeting toys and non-toy products.

Except as expressly indicated or unless the context otherwise requires, as used herein, the "Company" means Hasbro, Inc., a Rhode Island corporation organized on January 8, 1926, and its subsidiaries.

(b) Description of Business Products

The Company's products are categorized for marketing purposes as follows:

(i) Hasbro Toy Group

The Hasbro Toy Group develops and markets infant, preschool, activity, boys and girls products in the United States, primarily utilizing the Playskool, Tonka and Kenner brands.

The infant and preschool items are principally marketed under the Playskool brand and are specifically designed for preschool children, toddlers and infants.

Playskool's line of infant and juvenile items consists of products for very young children, including the 1-2-3 High Chair(TM), Musical Dream Screen(TM), the Steady Steps(R) line of walkers, other infant accessories such as bibs, training cups and feeding items, water-filled teething rings, soft toys, rattles and infant apparel including the Scootees(R) line of soft shoes for babies. New products in 1996 include several items incorporating the classic Weebles(R) figures, the Lights 'n Surprise Laptop(TM) and Musical Moonbeam(TM).

The preschool line includes such well known products as Lincoln Logs(R), Tinkertoy(R), Mr. Potato Head(R), 1-2-3 Bike(TM) and the "Busy(R)" line of toys; electronic items including Talking Barney(R); various role play products including Lovin' Sounds Nursery(TM), Magic Smoking Grill(R) and the Playskool(R) Playstore; sports toys such as 1-2-3 Baseball(TM), and woodboard puzzles utilizing various characters licensed from The Walt Disney Company and others. New items for 1996 include a Woodland Junction(TM) line of wooden train sets, Magic Touch(TM) Talking Books and the Cook 'n Play(R) Kitchen Center.

The Hasbro Toy Group also offers activity items for both girls and boys including Fantastic Fingernails(TM) and the Fantastic Sticker Maker(TM) as well as such classics as Play-Doh(R), Easy-Bake(R) Oven and the Spirograph(R) design toy. New offerings for 1996 include Pro-Doh(TM), a modeling compound which air-hardens to make mini-sculptures, Fantastic Crystal Creations(TM) and a line of Wonder World(TM) products.

Its girls items include the Raggedy Ann(R) and Raggedy Andy(R) line of rag dolls and the Littlest Pet Shop(R) figures and playsets along with the Baby Sip 'n Slurp(TM) and Baby All Gone(R) dolls. Included in its new introductions for 1996 are My Magic Genies dolls and playsets, Fluffy, My Come Here Puppy(TM) and Baby Go Bye Bye(TM).

In boys' toys it offers a wide range of products, many of which are tied to entertainment properties, including Batman(R) and Star Wars(R) action figures and accessories. It also offers such classic properties as G.I. Joe(R), The Transformers(R), the Tonka(R) line of trucks and vehicles, and the Nerf(R) line of soft action play equipment. Additionally, it markets several radio-controlled vehicles, including the 6.0 volt and 9.6 volt Ricochet(TM), and the Super Soaker(TM) line of water products. New introductions for 1996 include both Action Man(TM) and Superman(R) action figures and accessories, the Starting Lineup(R) Timeless Legends(TM) collectible figurines, depicting some of history's great track stars and gymnasts, the XRC Airdevil(TM) radio-controlled vehicle and several new Nerf(R) products.

(ii) Hasbro Games Group

The Hasbro Games Group consists of the Company's two United States game units, Milton Bradley and Parker Brothers.

Milton Bradley develops and markets quality games and puzzles, including board, strategy and word games, skill and action games and travel games. It maintains a diversified line of more than 200 games and puzzles for children and adults. Its staple items include Battleship(R), The Game of Life(R), Scrabble(R), Chutes and Ladders(R), Candy Land(R), Trouble(R), Mousetrap(R), Operation(R), Hungry Hungry Hippos(R), Connect Four(R), Twister(R) and Big

Ben(R) Puzzles. The Company also provides games and puzzles for the entire family, including such games as Yahtzee(R), Parcheesi(R), Aggravation(R), Jenga(R) and Scattergories(R) and Puzz 3-D(TM), a series of three dimensional jigsaw puzzles. Games added to the Milton Bradley line for 1996 include Koo Koo Nauts(TM), Check+up Charlie(TM) and Disney's(R) Hunchback of Notre Dame. Milton Bradley is also introducing several new fully dimensional puzzles in its Puzz 3D(TM) series, including the Star Wars(R) Millennium Falcon(TM) and The White House.

Parker Brothers develops and markets a full line of games for families, children and adults. Its classic line of family board games includes Monopoly(R), Clue(R), Sorry!(R), Risk(R), Boggle(R), Ouija(R) and Trivial Pursuit(R), some of which have been in the Parker Brothers' line for more than 50 years. The Company also markets traditional card games such as Mille Bornes(R), Rook(R) and Rack-O(R) and games for adults such as Balderdash(R) and Outburst(R). Its line of travel games includes travel editions of Monopoly(R) Junior, Clue(R), Sorry!(R) and Boggle(R) Jr. During 1995, Parker Brothers developed and marketed a CD-ROM version of Monopoly(R), which allows interactive gameplay through the Internet. In 1996, this and other new CD-ROM games will be the responsibility of a recently formed organization, Hasbro Interactive, Inc. New to the Parker Brothers' line in 1996 are Goosebumps(TM) Shrieks and Spiders(TM), a game based on R.L. Stine's books, Star Wars(TM) 3-D Board Game and Mystery Mansion(TM), an electronic game.

(iii) International

The Company conducts its international operations through subsidiaries in more than 25 countries which sell a representative range of the products marketed in the United States together with some items which are sold only internationally.

Throughout the world, the Company markets products sourced by a Hong Kong subsidiary working primarily through unrelated manufacturers in various Far East countries, and in the Americas it markets products supplied by the Company's Mexican and U.S. manufacturing operations. Additionally, subsidiaries in Europe market products primarily manufactured by the Company in Ireland and Spain; those in Australia and New Zealand, products manufactured by the Company in New Zealand and in Canada, certain products which it assembles in Canada from components supplied by the Company's U.S. and Mexican operations. The Company has small investments in joint ventures in India and the Peoples Republic of China which manufacture and sell products both to the Company and unaffiliated customers. The Company also has Hong Kong units which market directly to retailers a line of high quality, low priced toys, games and related products, primarily on a direct import basis.

In addition, certain toy products are licensed to other toy companies to manufacture and sell product in selected international markets where the Company does not otherwise have a presence.

Working Capital Requirements

Production has been financed historically by means of short-term borrowings which reach peak levels during September through November of each year when receivables also generally reach peak levels. The revenue pattern of the Company continues to shift with the second half of the year growing in significance to its overall business and, within that half, the fourth quarter becoming more prominent. The Company expects that this trend will continue. The toy business is also characterized by customer order patterns which vary from year to year largely because of differences each year 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. As a result, comparisons of unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of sales for that entire given year. 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. The Company's unshipped orders at both March 3, 1996 and March 5, 1995 were approximately $170,000,000. Also, it is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. The backlog at any date in a given year can be affected by programs the Company may employ to induce its customers to place orders and accept shipments early in the year. This method is a general industry practice. The programs the Company is employing to promote sales in 1996 are not substantially different from those employed in 1995.

As part of the traditional marketing strategies of the toy industry, many sales made early in the year are not due for payment until the fourth quarter or early in the first quarter of the subsequent year, thus making it necessary for the Company to borrow significant amounts pending these collections. During the year, the Company relies on internally generated funds and short-term borrowing arrangements, including commercial paper, to finance its working capital needs. Currently, the Company has available to it unsecured lines of credit, which it believes are adequate, of approximately $1,500,000,000 including a $440,000,000 revolving credit agreement with a group of banks which is also used as a back-up to commercial paper issued by the Company.

Research and Development

The Company's business is based to a substantial extent on the continuing development of new products and the redesigning of existing items for continuing market acceptance. In 1995, 1994 and 1993, approximately $148,057,000, $135,406,000 and $125,566,000, respectively, were incurred on activities relating to the development, design and engineering of new products and their packaging (including items brought to the Company by independent designers) and to the improvement or modification of ongoing products. Much of this work is performed by the Company's staff of designers, artists, model makers and engineers.

In addition to its own staff, the Company deals with a number of independent toy designers for whose designs and ideas the Company competes with many other toy manufacturers. Rights to such designs and ideas, when acquired by the Company, are usually exclusive under agreements requiring the Company to pay the designer a royalty on the Company's net sales of the item. These designer royalty agreements in some cases provide for advance royalties and minimum guarantees.

The Company also produces a number of toys under trademarks and copyrights utilizing the names or likenesses of familiar movie, television and comic strip characters. Licensing fees are generally paid as a royalty on the Company's net sales of the item. Licenses for the use of characters are generally exclusive for specific products or product lines in specified territories. In many instances, advance royalties and minimum guarantees are required by character license agreements.

Marketing and Sales

The Company's products are sold nationally and internationally to a broad spectrum of customers including wholesalers, distributors, chain stores, discount stores, mail order houses, catalog stores, department stores and other retailers, large and small. The Company and its subsidiaries employ their own sales forces which account for nearly all of the sales of their products. Remaining sales are generated by independent distributors who sell the Company's products principally in areas of the world where the Company does not otherwise maintain a presence. The Company maintains showrooms in New York and selected other major cities world-wide as well as at most of its subsidiary locations. Although the Company has more than 2,000 customers in the United States and Canada, most of which are wholesalers, distributors or large chain stores, there has been significant consolidation at the retail level over the last several years. In other countries, the Company has in excess of 20,000 customers, many of which are individual retail stores. During 1995, sales to the Company's two largest customers represented 21% and 12% of consolidated net revenues.

The Company advertises its toy and game products extensively on television. The Company generally advertises selected items in its product groups in a manner designed to promote the sale of other specific items in those product groups. Each year, the Company introduces its new products at its New York City showrooms at the time of the American International Toy Fair in February. It also introduces some of its products to major customers during the last half of the prior year.

In 1995, the Company spent approximately $417,886,000 in advertising, promotion and marketing programs compared to $397,094,000 in 1994 and $383,918,000 in 1993.

Manufacturing and Importing

The Company manufactures its products in facilities within the United States and various international countries (see "Properties"). Most of its products are manufactured from basic raw materials such as plastic and cardboard which are readily available. The Company's manufacturing process includes injection molding, blow molding, metal stamping, printing, box making, assembly and wood processing. The Company purchases certain components and accessories used in its toys and some finished items from United States manufacturers as well as from manufacturers in the Far East, which is the largest manufacturing center of toys in the world, and other countries. The implementation of the General Agreement on Tariffs and Trade has reduced or eliminated customs duties on certain of these products imported by the Company. The Company believes that the manufacturing capacity of its facilities and the supply of components, accessories and completed products which it purchases from unaffiliated manufacturers is adequate to meet the foreseeable demand for the products which it markets. The Company's reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary. However, if the Company is prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor or other factors beyond its control, the Company's operations would be disrupted while alternative sources of product were

secured. The imposition of trade sanctions by the United States against a class of products imported by the Company from China or the loss by the People's Republic of China of "most favored nation" trading status as granted by the United States, could significantly increase the cost of the Company's products imported into the United States from China.

The Company makes its own tools and fixtures but purchases dies and molds principally from independent United States and international sources. Several of the Company's United States production departments operate on a two-shift basis and its molding departments operate on a continuous basis through most of the year.

Competition

The Company's business is highly competitive and it competes with several large and many small United States and international manufacturers. The Company is a worldwide leader in the design, manufacture and marketing of toys, games and infant care products.

Employees

The Company employs approximately 13,000 persons worldwide, approximately 6,500 of whom are located in the United States.

Trademarks, Copyrights and Patents

The Company's products are protected, for the most part, by registered trademarks, copyrights and patents to the extent that such protection is available and meaningful. The loss of such rights concerning any particular product would not have a material adverse effect on the Company's business, although the loss of such protection for a number of significant items might have such an effect.

Government Regulation

The Company's toy products sold in the United States are subject to the provisions of the Consumer Product Safety Act (the "CPSA"), The Federal Hazardous Substances Act (the "FHSA") and the regulations promulgated thereunder. The CPSA empowers the Consumer Product Safety Commission (the "CPSC") to take action against hazards presented by consumer products, including the formulation and implementation of regulations and uniform safety standards. The CPSC has the authority to seek to declare a product "a banned hazardous substance" under the CPSA and to ban it from commerce. The CPSC can file an action to seize and condemn an "imminently hazardous consumer product" under the CPSA and may also order equitable remedies such as recall, replacement, repair or refund for the product. The FHSA provides for the repurchase by the manufacturer of articles which are banned. Similar laws exist in some states and cities and in Canada, Australia and Europe. The Company maintains a laboratory which has testing and other procedures

intended to maintain compliance with the CPSA and FHSA. Notwithstanding the foregoing, there can be no assurance that all of the Company's products are or will be hazard free. While the Company neither has had any material product recalls nor knows of any currently, should any such problem arise, it could have an effect on the Company depending on the product and could affect sales of other products.

The Children's Television Act of 1990 and the rules promulgated thereunder by the Federal Communications Commission as well as the laws of certain countries place certain limitations on television commercials during children's programming.

(c) Financial Information About International and United States
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Operations and Export Sales

The information required by this item is included in note 16 of Notes to Consolidated Financial Statements in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 2. PROPERTIES

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Rhode Island				
Pawtucket	Executive, Sales & Marketing Offices & Product Development	343,000	Owned	--
Pawtucket	Administrative Office	23,000	Owned	--
Pawtucket	Manufacturing	306,500	Owned	--
East Providence	Administrative Office	120,000	Leased	1999
Central Falls	Manufacturing	261,500	Owned	--
Massachusetts				
East Longmeadow	Office, Manufacturing & Warehouse	1,147,500	Owned	--
East Longmeadow	Office, Manufacturing & Warehouse	254,400	Owned	--
East Longmeadow	Warehouse	500,000	Leased	1998
Beverly	Office	100,000	Owned	--
New Jersey				
Northvale	Office & Manufacturing	75,000	Leased	2002
Mt. Laurel	Office	11,000	Leased	1997

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
New York				
New York	Office & Showroom	70,300	Leased	2000
New York	Office & Showroom	32,300	Leased	1999
Arcade	Manufacturing	15,000	Leased	1998
Amsterdam	Manufacturing	297,400	Owned	--
Ohio				
Cincinnati	Office	161,000	Leased	2007
Cincinnati	Warehouse	33,000	Leased	1999
Pennsylvania				
Allentown	Warehouse	71,800	Leased	1997
Allentown	Warehouse	304,000	Leased	1997
Allentown	Warehouse	198,700	Leased	1997
South Carolina				
Easley	Manufacturing	31,500	Leased	1997
Easley	Manufacturing	75,000	Owned	--
Easley	Manufacturing	29,000	Owned	--
Texas				
El Paso	Manufacturing & Warehouse	373,000	Owned	--
El Paso	Manufacturing & Warehouse	487,000	Leased	1998
El Paso	Warehouse	83,000	Leased	1996
El Paso	Warehouse	56,000	Leased	1996
El Paso	Warehouse	24,000	Leased	1996
El Paso	Warehouse	102,000	Leased	1996
El Paso	Warehouse	35,000	Leased	1996
El Paso	Warehouse	50,000	Leased	1996

El Paso	Warehouse	120,000	Leased	1996
El Paso	Warehouse	111,000	Leased	1997
Vermont				
Fairfax	Manufacturing	43,000	Owned	--
Washington				
Seattle	Office & Warehouse	125,100	Leased(1)	1996

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Australia				
Lidcombe	Office & Warehouse	161,400	Leased	2002
Eastwood	Office	16,900	Leased	1997
Austria				
Vienna	Office	2,505	Leased	1997
Belgium				
Brussels	Office & Showroom	16,700	Leased	1996
Canada				
Montreal	Office, Manufacturing & Showroom	133,900	Leased	1997
Mississauga	Sales Office & Showroom	16,300	Leased	1998
Montreal	Warehouse	88,100	Leased	1997
Peoples Republic of China				
Guangzhou	Warehouse	9,600	Leased	1996
Denmark				
Glostrup	Office	9,200	Leased	1999
England				
Uxbridge	Office & Showroom	94,500	Leased	2013
Castlegate	Office & Manufacturing	400,000	Leased	1997
Paddock Wood	Office	30,000	Leased	1997
Finland				
Helsinki	Office	3,000	Leased	1996
France				
Le Bourget du Lac	Office, Manufacturing & Warehouse	108,300	Owned	--
Savoie Technolac	Office	33,500	Owned	--
Creutzwald	Warehouse	108,700	Owned	--
Germany				
Dietzenbach	Office	39,400	Leased	1998
Fuerth	Office & Warehouse	28,400	Owned	--
Soest	Office & Warehouse	156,300	Owned	--
Soest	Warehouse	78,800	Owned	--

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Greece				
Athens	Office & Warehouse	176,500	Leased	1996

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Hong Kong				
Kowloon	Office	18,600	Leased	2000
Kowloon	Office	16,100	Leased	2000
Harbour City	Office	11,000	Leased	1996
Shatkin	Office & Warehouse	17,800	Leased	1997
Hungary				
Budapest	Office	3,700	Leased	1996
Ireland				
Waterford	Office, Manufacturing & Warehouse	244,400	Owned	--
Israel				
Jerusalem	Office	2,700	Leased	1998
Italy				
Milan	Office & Showroom	12,100	Leased	1998
Japan				
Tokyo	Office	7,200	Leased	1996
Malaysia				
Selangor Darul Ehsan	Office	6,800	Leased	1997
Mexico				
Tijuana	Office & Manufacturing	144,000	Leased	1996
Tijuana	Manufacturing	48,800	Leased	1996
Tijuana	Warehouse	140,800	Leased	1996
Reyna	Office	61,000	Leased	1996
Juarez	Manufacturing	169,500	Owned	--
Venados	Warehouse	59,100	Leased	1996
Venados	Warehouse	59,100	Leased	1996
The Netherlands				
Ter Apel	Office & Warehouse	139,300	Owned	--
Utrecht	Sales Office & Showroom	17,000	Leased	1996
Veerdam	Warehouse	59,200	Leased	1996

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
New Zealand				
Auckland	Office, Manufacturing & Warehouse	110,900	Leased	2005
Norway				
Asker	Office	4,900	Leased	1999
Poland				
Warsaw	Office	5,000	Leased	1998
Portugal				
Estoril-Lisboa	Office	2,900	Leased	1996
Singapore				
Singapore	Office & Warehouse	9,300	Leased	1997
Spain				
Valencia	Office, Manufacturing & Warehouse	115,100	Leased	1999

Valencia	Office	46,300	Leased	1996
Valencia	Manufacturing & Warehouse	161,700	Leased	2002
Valencia	Warehouse	21,500	Leased	1996
Valencia	Warehouse	94,400	Owned	--
Valencia	Warehouse	43,000	Leased	1996
Sweden				
Vosby	Office	7,400	Leased	1998
Switzerland				
Mutschellen	Office & Warehouse	23,400	Leased	1996
Taiwan				
TPE County	Warehouse	9,800	Leased	1996
Wales				
Newport	Warehouse	76,000	Leased	2003
Newport	Warehouse	52,000	Owned	--

(1) In addition, at this location the Port of Seattle operates a 400,000 square foot distribution facility pursuant to an agreement with the Company.

In addition to the above listed facilities, the Company either owns or leases various other properties approximating 130,000 square feet which are utilized in its operations. The Company also either owns or leases an aggregate of approximately 800,000 square feet not currently being utilized in its operations. Most of these properties are being leased, subleased or offered for sublease or sale. A portion of this space not used in the Company's operations represent facilities used by Tonka Corporation units prior to its acquisition by the Company.

The foregoing properties consist, in general, of brick, cinder block or concrete block buildings which the Company believes are in good condition and well maintained.

ITEM 3. LEGAL PROCEEDINGS

The Company is party to certain legal proceedings, substantially involving routine litigation incidental to the Company's business, none of which, individually or in the aggregate, is deemed to be material.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following persons are the executive officers of the Company and its subsidiaries and divisions. Such executive officers are elected annually. The position and office listed below are the principal position(s) and office(s) held by such person with the Company, subsidiary or divisions employing such person. The persons listed below generally also serve as officers and directors of the Company's various subsidiaries at the request and convenience of the Company.

Name	Age	Position and Office Held	Period Serving in Current Position
Alan G. Hassenfeld	47	Chairman of the Board, President and Chief Executive Officer	Since 1989
Harold P. Gordon (1)	58	Vice Chairman	Since 1995
George R. Ditomassi, Jr.	61	Chief Operating Officer, Games and International	Since 1990

Alfred J. Verrecchia	53	Chief Operating Officer, Domestic Toy Operations	Since 1990
John T. O'Neill	51	Executive Vice President and Chief Financial Officer	Since 1989
Norman C. Walker	57	Executive Vice President and President, International	Since 1990
Dan D. Owen (2)	47	President, Hasbro Toy Group	Since 1994
E. David Wilson (3)	58	President, Hasbro Games Group	Since 1995
Richard B. Holt (4)	54	Senior Vice President and Controller	Since 1992
Cynthia S. Reed (5)	40	Senior Vice President and General Counsel	Since 1995
Phillip H. Waldoks (6)	43	Senior Vice President - Corporate Legal Affairs and Secretary	Since 1995
Russell L. Denton	51	Vice President and Treasurer	Since 1989

(1) Prior thereto, Partner, Stikeman, Elliott (law firm).

(2) Prior thereto, President, Playskool.

(3) Prior thereto, President, Milton Bradley.

(4) Prior thereto, Vice President and Controller.

(5) Prior thereto, Vice President - Legal from 1992 to 1995; prior thereto, Associate Vice President - Legal.

(6) Prior thereto, Senior Vice President - Corporate Legal Affairs from 1992 to 1995; prior thereto, Vice President - Corporate Legal Affairs.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this item is included in Market for the Registrant's Common Equity and Related Stockholder Matters in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is included in Selected Financial Data in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is included in Management's Review in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is included in Financial Statements and Supplementary Data in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10, 11, 12 and 13.

The information required by these items is included in registrant's definitive proxy statement for the 1996 Annual Meeting of Shareholders and is incorporated herein by reference, except that the sections under the headings (a) "Comparison of Five Year Cumulative Total Shareholder Return Among Hasbro, S&P 500 and Russell 1000 Consumer Discretionary Economic Sector" and accompanying material and (b) "Report of the Compensation and Stock Option Committee of the Board of Directors" in the definitive proxy statement shall not be deemed "filed" with the Securities and Exchange Commission or subject to Section 18 of the Securities Exchange Act of 1934.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Included in PART II of this report:

Independent Auditors' Report

Consolidated Balance Sheets at December 31, 1995 and December 25, 1994

Consolidated Statements of Earnings for the Three Fiscal Years Ended in December 1995, 1994 and 1993

Consolidated Statements of Shareholders' Equity for the Three Fiscal Years Ended in December 1995, 1994 and 1993

Consolidated Statements of Cash Flows for the Three Fiscal Years Ended in December 1995, 1994 and 1993

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Included in PART IV of this Report:

Report of Independent Certified Public Accountants on Financial Statement Schedule

For the Three Fiscal Years Ended in December 1995, 1994 and 1993:

Schedule II - Valuation and Qualifying Accounts and Reserves

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto. Columns omitted from schedules filed have been omitted because the information is not applicable.

(3) Exhibits

The Company will furnish to any shareholder, upon written request, any exhibit listed below upon payment by such shareholder to the Company of the Company's reasonable expenses in furnishing such exhibit.

Exhibit

3. Articles of Incorporation and Bylaws

(a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit (c)(2) to the Company's Current Report on Form 8-K, dated July 15, 1993, File No. 1-6682.)

(b) Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit (3) to the Company's Current Report on Form 8-K, dated February 16, 1996, File No. 1-6682.)

4. Instruments defining the rights of security holders, including

indentures.

(a) Revolving Credit Agreement, dated as of June 22, 1992, among the Company, certain banks (the "Banks"), and The First National Bank of Boston, as agent for the Banks (the "Agent"). (Incorporated by reference to Exhibit 4(a) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(b) Subordination Agreement, dated as of June 22, 1992, among the Company, certain subsidiaries of the Company, and the Agent. (Incorporated by reference to Exhibit 4(b) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(c) Amendment No. 1, dated as of April 1, 1994, to Revolving Credit Agreement among the Company, the Banks and the Agent. (Incorporated by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the Period Ended March 27, 1994, File No. 1-6682.)

(d) Amendment No. 2, dated as of May 1, 1995, to the Revolving Credit Agreement among the Company, the Banks and the Agent. (Incorporated by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the Period Ended April 2, 1995, File No. 1-6682.)

10. Material Contracts

(a) Lease between Hasbro Canada Inc. (formerly named Hasbro Industries (Canada) Ltd.) and Central Toy Manufacturing Co. ("Central Toy"), dated December 23, 1976. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-14, File No. 2-92550.)

(b) Lease between Hasbro Canada Inc. and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)

(c) Agreement between the Company and Bear, Stearns & Co. Inc., dated as of January 16, 1996.

Executive Compensation Plans and Arrangements

(d) Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 2-78018.)

(e) Amendment No. 1 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)

(f) Amendment No. 2 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)

(g) Amendment No. 3 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)

(h) Amendment No. 4 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)

(i) Form of Incentive Stock Option Agreement for incentive stock options. (Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)

(j) Form of Non Qualified Stock Option Agreement under the Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)

(k) Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-14, File No. 2-92550.)

(l) Amendment No. 1 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)

(m) Amendment No. 2 to Non Qualified Stock Option Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1987 Annual Meeting of Shareholders, File No. 1-6682.)

(n) Amendment No. 3 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)

(o) Form of Stock Option Agreement (For Employees) under the Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(p) 1992 Stock Incentive Plan (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1992 Annual Meeting of Shareholders, File No. 1-6682.)

(q) Form of Stock Option Agreement (For Employees) under the 1992 Stock Incentive Plan. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(r) Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(s) Form of Employment Agreement between the Company and eight executive officers of the Company. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)

(t) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)

(u) Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)

(v) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors.(Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)

(w) Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)

(x) Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)

(y) Hasbro, Inc. Senior Management Annual Performance Plan. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)

(z) Hasbro, Inc. Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1995 Annual Meeting of Shareholders, File No. 1-6682.)

(aa) Employment Agreement, dated as of January 1, 1996, between the Company and Harold P. Gordon.

(bb) Severance And Settlement Agreement And Release, dated as of December 20, 1995, and addendum thereto, between the Company and Dan D. Owen.

11. Statement re computation of per share earnings

12. Statement re computation of ratios

13. Selected information contained in Annual Report to Shareholders

22. Subsidiaries of the registrant

24. Consents of experts and counsel
   (a) Consent of KPMG Peat Marwick LLP

27. Financial data schedule

The Company agrees to furnish the Securities and Exchange Commission, upon request, a copy of each agreement with respect to long-term debt of the Company, the authorized principal amount of which does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

(b) Reports on Form 8-K

A Current Report on Form 8-K dated January 30, 1996 was filed to announce the Company's rejection of an unsolicited business combination proposal.

A Current Report on Form 8-K dated February 8, 1996 was filed to announce the Company's results for the quarter and year ended December 31, 1995. Consolidated statements of earnings (without notes) for the quarter and year ended December 31, 1995 and December 25, 1994 and consolidated condensed balance sheets (without notes) as of said dates were also filed.

A Current Report on Form 8-K dated February 16, 1996 was filed to file the Amended and Restated Bylaws of the Company.

(c) Exhibits

See (a)(3) above

(d) Financial Statement Schedules

See (a)(2) above

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

Under date of February 7, 1996, we reported on the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 1995 and December 25, 1994 and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 31, 1995, as contained in the 1995 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1995. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule listed in Item 14 (a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ KPMG Peat Marwick LLP

Providence, Rhode Island

February 7, 1996

SCHEDULE II

HASBRO, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts and Reserves

Fiscal Years Ended in December

(Thousands of Dollars)

	Balance at Beginning of Year	Provision Charged to Costs and Expenses	Other Additions	Write-Offs And Other (a)	Balance at End of Year
Valuation accounts deducted from assets to which they apply - for doubtful accounts receivable:					
1995	$51,000	5,860	-	(8,060)	$48,800
1994	$54,200	5,120	-	(8,320)	$51,000
1993	$52,200	13,078	-	(11,078)	$54,200

(a) Includes write-offs, recoveries of previous write-offs and translation adjustments.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By: /s/ Alan G. Hassenfeld — Date: March 28, 1996

Alan G. Hassenfeld
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date

/s/ Alan G. Hassenfeld Alan G. Hassenfeld	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 28, 1996
/s/ John T. O'Neill John T. O'Neill	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 28, 1996
/s/ Barry J. Alperin Barry J. Alperin	Director	March 28, 1996
/s/ Alan R. Batkin Alan R. Batkin	Director	March 28, 1996
/s/ George R. Ditomassi, Jr. George R. Ditomassi, Jr.	Director	March 28, 1996
/s/ Harold P. Gordon Harold P. Gordon	Director	March 28, 1996
/s/ Alex Grass Alex Grass	Director	March 28, 1996
/s/ Sylvia K. Hassenfeld Sylvia K. Hassenfeld	Director	March 28, 1996
/s/ Marie-Josee Kravis Marie-Josee Kravis	Director	March 28, 1996
Claudine B. Malone	Director	March , 1996
/s/ Morris W. Offit Morris W. Offit	Director	March 28, 1996
/s/ Norma T. Pace Norma T. Pace	Director	March 28, 1996
/s/ E. John Rosenwald, Jr. E. John Rosenwald, Jr.	Director	March 28, 1996
/s/ Carl Spielvogel Carl Spielvogel	Director	March 28, 1996

Henry Taub	Director	March , 1996
/s/ Preston Robert Tisch Preston Robert Tisch	Director	March 28, 1996
/s/ Paul Wolfowitz Paul Wolfowitz	Director	March 28, 1996
/s/ Alfred J. Verrecchia Alfred J. Verrecchia	Director	March 28, 1996

HASBRO, INC.

Annual Report on Form 10-K

for the Year Ended December 31, 1995

Exhibit Index

Exhibit

3. Articles of Incorporation and Bylaws
   (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit (c)(2) to the Company's Current Report on Form 8-K, dated July 15, 1993, File No. 1-6682.)

   (b) Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit (3) to the Company's Current Report on Form 8-K, dated February 16, 1996, File No. 1-6682.).

4. Instruments defining the rights of security holders, including indentures
   (a) Revolving Credit Agreement, dated as of June 22, 1992, among the Company, certain banks (the "Banks"), and The First National Bank of Boston, as agent for the Banks (the "Agent"). (Incorporated by reference to Exhibit 4(a) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

   (b) Subordination Agreement, dated as of June 22, 1992, among the Company, certain subsidiaries of the Company, and the Agent. (Incorporated by reference to Exhibit 4(b) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

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11. Statement re computation of per share earnings

12. Statement re computation of ratios

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22. Subsidiaries of the registrant

24. Consents of experts and counsel
    (a) Consent of KPMG Peat Marwick LLP

27. Financial data schedule

EXHIBIT 10(c)

As of January 16, 1996

Hasbro, Inc.
1027 Newport Avenue
Pawtucket, Rhode Island 02861

Gentlemen:

We are pleased to set forth the terms of the retention of Bear, Stearns & Co. Inc. ("Bear Stearns") by Hasbro, Inc. (collectively with its affiliates, the "Company").

1. We are advised that the Company has received an offer from a third party (the "Bidder") to acquire the Company (the "Offer"). Bear Stearns will assist the Company as its co-exclusive financial advisor and agent with Donaldson, Lufkin & Jenrette ("DLJ") in (i) evaluating the Offer and any other indications of interest or offers (both solicited and unsolicited) received by the Company with respect to any Transaction (as such term is defined below), (ii) evaluating various plans, strategies or transactions for maximizing the Company's value to its shareholders and (iii) in the event the Board determines to undertake a course of action, in implementing any such course of action. In this regard, Bear Stearns shall be the Company's co-exclusive financial advisor and agent with DLJ in connection with any Transaction. As used in this Agreement, the term "Transaction" shall mean any Acquisition Transaction or Restructuring (as such terms are defined below). As used in this Agreement, the term "Acquisition Transaction" shall mean (a) any merger, consolidation, reorganization, recapitalization, business combination or other transaction pursuant to which the Company is acquired by, or combined with, any person or group of persons (which may include the Company's management), corporation, partnership or other entity, including, without limitation, the Bidder (an "Acquiror") or (b) the acquisition, directly or indirectly, by an Acquiror, in a single transaction or a series of transactions, of (i) a substantial portion of the assets or operations of the Company or (ii) a substantial portion of outstanding or newly-issued shares of the Company's capital stock (or any securities convertible into, or options, warrants or other rights to acquire such capital stock) (such capital stock and such other securities, options, warrants and other rights being collectively referred to as "Company Securities") (whether by way of tender or exchange offer, open market purchases, negotiated purchases or otherwise). As used in this Agreement, the term "Restructuring" shall include, but is not limited to, (i) any extraordinary dividend or distribution (of either cash, securities or other property) paid by the Company to its shareholders, (ii) a purchase by the Company of 5% or more of its outstanding common or preferred stock or its outstanding debt securities (whether by way of tender or exchange offer, open market purchases, negotiated purchases from one or more shareholders or otherwise but not including the redemption of the Company's 6% Convertible Subordinated Notes Due 1998), (iii) a sale or spin-off of all or substantially all the assets of, or 5% or more of the capital stock of, any subsidiary or division of the Company, or (iv) any transaction or series of transactions which has the effect of significantly altering the capitalization of the Company. Bear Stearns will advise the Company as to structure and valuation of any Transaction, and will assist the Company in negotiations with any Acquiror. If requested, Bear Stearns will provide an opinion (an "Opinion") with respect to the fairness, from a financial point of view, to the public shareholders of the Company of any Transaction.

2. If requested by the Company, Bear Stearns will assist the Company as its co-exclusive agent with DLJ in identifying and seeking out an Acquiror who would be interested in entering into a Transaction with the Company. Bear Stearns will review and analyze all indications of interest and proposals, both preliminary and firm, that are received from any Acquiror, will advise the Company as to structure and valuation and the ability of prospective Acquirors to finance a Transaction, and will assist the Company in negotiations with any Acquiror. In connection with Bear Stearns' activities on the Company's behalf, Bear Stearns will assist the Company's management in (a) developing a list of prospective Acquirors and strategies for possible transactions that enhance shareholder value, (b) preparing a descriptive memorandum that describes the Company's operations,

management, and financial condition and incorporates current financial data and other appropriate information furnished by the Company (the "Offering Memorandum"), (c) contacting and eliciting interest from prospective Acquirors and (d) structuring such transactions as may be appropriate to this assignment.

3. In connection with Bear Stearns' activities on the Company's behalf, the Company agrees to cooperate with Bear Stearns and will furnish to, or cause to be furnished to, Bear Stearns any and all information and data concerning the Company, the Offer, any Transaction, and to the extent available to the Company, any prospective Acquiror (the "Information") which Bear Stearns deems appropriate and will provide Bear Stearns with access to the Company's officers, directors, employees, appraisers, independent accountants, legal counsel and other consultants and advisors. To the extent that the Company has access to the officers, directors, employees, appraisers, independent accountants, legal counsel and other consultants and advisors of any Acquiror, it will provide such access to Bear Stearns. The Company represents and warrants that all Information (a) made available to Bear Stearns or any Acquiror by the Company or (b) contained in the Offering Memorandum or in any filing by the Company with the Securities and Exchange Commission and any court or governmental or regulatory agency, commission or instrumentality (each an "Agency") with respect to the Offer or any Transaction, will be complete and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances under which such statements are made. The Company further represents and warrants that any projections and other Information provided by it to Bear Stearns, or any Acquiror or contained in the Offering Memorandum will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. The Company acknowledges and agrees that, in rendering its services hereunder, Bear Stearns will be using and relying on the Information (and information available from public sources and other sources deemed reliable by Bear Stearns) without independent verification thereof by Bear Stearns or independent appraisal by Bear Stearns of any of the Company or any Acquiror's assets. Bear Stearns does not assume responsibility for the accuracy or completeness of the Information or any other information regarding the Company, any Acquiror or any Transaction. Any advice tendered by Bear Stearns pursuant to this Agreement may not be disclosed publicly without our prior written consent.

4. The nature and scope of Bear Stearns' study for purpose of delivering any Opinion shall be such as it considers appropriate. The form of any Opinion shall be such as Bear Stearns considers appropriate and may state in substance, among other things, that it is given in reliance on the accuracy and completeness of the information furnished to Bear Stearns. It is understood that any Opinion may be included in its entirety in any proxy statement or other document distributed to shareholders of the Company in connection with a Transaction. However, no summary of or excerpt from any such Opinion may be used, and no public reference (other than as provided in the preceding sentence) to such Opinion may be made except with Bear Stearns' prior written approval, which approval shall not be unreasonably withheld.

5. In consideration of our services pursuant to this Agreement, Bear Stearns shall be entitled to receive, and the Company agrees to pay Bear Stearns, the following compensation:

(a) Upon execution of this Agreement, the Company shall pay to Bear Stearns an initial cash fee in the amount of $200,000.

(b) Upon the earlier of (i) the execution by the Company of a letter of intent, agreement in principle or definitive agreement with respect to any Transaction or (ii) the public announcement of any Transaction of the Offer, the Company shall pay to Bear Stearns an additional cash fee of $200,000.

(c) If Bear Stearns renders an Opinion, then the Company shall pay to Bear Stearns an additional cash fee of $1,800,000, of which shall be payable at the time Bear Stearns render such Opinion. If (i) a Transaction is not consummated within six months of the date of this Agreement or (ii) the form of consideration offered in a pending Transaction is changed, Bear Stearns shall be entitled to such additional compensation as may be agreed upon in good faith between the Company and Bear Stearns.

(d) If an Acquisition Transaction is consummated, then the Company shall pay to Bear Stearns, immediately upon consummation of such Acquisition Transaction, an additional cash fee (against which all fees previously paid shall be credited) equal to 0.21% of the value of the total consideration paid to the Company or its shareholders in such Acquisition Transaction in respect of (i) assets or operations of the Company, (ii) Company Securities and (iii) the assumption, directly or indirectly (by operation of law or otherwise), or repayment of indebtedness (including, without limitation, indebtedness secured by assets of the Company) and other liabilities of the Company. In the event an Acquisition Transaction is consummated in one or more steps, including, without limitation, by way of a second-step merger, any additional consideration paid or to be paid in any subsequent step in the Acquisition Transaction in respect of (x) assets or operations of the Company, (y) Company Securities and (z) the assumption, directly or indirectly (by operation of law or otherwise), or repayment of indebtedness and other liabilities of the Company, shall be included for purposes of calculating Bear Stearns' fee pursuant to this subparagraph 5(d) If all or a portion of the consideration paid in the Acquisition Transaction consists of securities for which a public trading market existed prior to consummation of the Acquisition Transaction, then the value of such securities shall be determined by the closing or last sales price thereof on the date two business days prior to the date of the consummation of the Acquisition Transaction. If all or a portion of the consideration paid in the Acquisition Transaction is other than cash or securities for which a public trading market existed prior to consummation of the Acquisition Transaction, then the value of such non-cash consideration shall be the fair market value thereof on the date the Acquisition Transaction is consummated as mutually agreed upon in good faith by the Company's Board of Directors and Bear Stearns.

(e) If a Restructuring is consummated, then the Company and Bear Stearns, shall agree to negotiate in good faith an amendment providing for compensation to be paid to Bear Stearns in connection with such Restructuring.

(f) Bear Stearns shall be entitled to the fees enumerated in any preceding subparagraph of this paragraph 5 (i) upon the occurrence, during the term, or within one year after the date of termination, of this Agreement, of any event specified in any such subparagraph or (ii) upon the occurrence of any event specified in any such subparagraph with respect to which an agreement was executed by the Company during the term or within one year after the date of termination of the Agreement.

6. If the Company requires financing (the "Financing") to consummate a Transaction, then Bear Stearns shall have the right to act as the Company's co-lead managing underwriter or co-exclusive agent with DLJ, as the case may be, in connection with raising such Financing, subject to approval of Bear Stearns' Commitment Committee and the good faith negotiation and execution of a mutually acceptable agency agreement; provided, however, that this paragraph shall not apply to the Company arranging senior bank financing without an investment banker or other agent.

7. If a Transaction is consummated and the Company determines to refinance (through either a public or private offering of debt or equity securities) all or any portion of any indebtedness of the Company incurred in connection with such Transaction) within two years of such consummation, then Bear Stearns shall have the right to act as the Company's co-lead managing underwriter or co-exclusive agent with DLJ, as the case may be, in connection with raising the funds necessary to complete such refinancing, subject to the approval of Bear Stearns' Commitment Committee and the good faith negotiation of customary and mutually acceptable terms and conditions. The terms "financing" (as used in paragraph 6 above) and "refinancing" (as used

in this paragraph 7) expressly include the negotiation of and entering into letters of credit, standby letters of credit and other types of Acquiror guarantees used to secure indebtedness or otherwise (regardless of whether any underlying indebtedness is repaid as part of the Transaction).

8. If a Restructuring is consummated is consummated and the Company determines to dispose of any of its subsidiaries, divisions, businesses or assets within two years of the date of this Agreement, then Bear Stearns shall have the right to act as the Company's co-exclusive agent with DLJ in connection with such dispositions, subject to the good faith negotiation of customary and mutually acceptable terms and conditions.

9. In addition to the fees described in paragraph 5 above, the Company agrees to promptly reimburse Bear Stearns, upon request from time to time, for all reasonable out-of-pocket expenses incurred by Bear Stearns (including, without limitation, reasonable fees and disbursements of counsel, and of other consultants and advisors retained by Bear Stearns) in connection with the matters contemplated by this Agreement.

10. The Company agrees to indemnify Bear Stearns in accordance with the indemnification provisions (the "Indemnification Provisions") attached to this Agreement, which Indemnification Provisions are incorporated herein and made a part hereof and which shall survive the termination, expiration or supersession of this Agreement.

11. Either party hereto may terminate this Agreement at any time upon written notice, without liability or continuing obligation except as set forth in the following sentence. Neither termination of this Agreement nor completion of the assignment contemplated hereby shall affect: (i) any compensation earned by Bear Stearns up to the date of termination or completion, as the case may be, (ii) any compensation to be earned by Bear Stearns after termination pursuant to paragraphs 5 - 8 hereof, (iii) the reimbursement of expenses incurred by Bear Stearns up to the date of termination or completion, as the case may be, (iv) the provisions of paragraphs 5 - 8 hereof, inclusive, of this Agreement and (v) the attached Indemnification Provisions which are incorporated herein, all of which shall remain operative and in full force and effect.

12. The validity and interpretation of this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to agreements made and to be fully performed therein excluding the conflicts of laws rules). The Company irrevocably submits to the jurisdiction of any court located in the county of New York in the State of New York including the United States District Court for the Southern District of the State of New York for the purpose of any suit, action or other proceeding arising out of this Agreement, or any of the agreements or transactions contemplated hereby, which is brought by or against the Company and (i) hereby irrevocably agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in any such court, (ii) to the extent that the Company has acquired, or hereafter may acquire, any immunity from jurisdiction of any such court or from any legal process therein, the Company hereby waives, to the fullest extent permitted by law, such immunity and (iii) agrees not to commence any action, suit or proceeding relating to this Agreement other than in such Courts. The Company hereby waives, and agrees not to assert in any such suit, action or proceeding, in each case, to the fullest extent permitted by applicable law, any claim that (a) the Company is not personally subject to the jurisdiction of any such court, (b) the Company is immune from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to the Company or its property or (c) any such suit, action or proceeding is brought in an inconvenient forum.

13. The benefits of this Agreement shall inure to the parties hereto, their respective successors and assigns and to the indemnified parties hereunder and their respective successors and assigns and representatives, and the obligations and liabilities assumed in this Agreement by the parties hereto shall be binding upon their respective successors and assigns.

14. Each of the Company and Bear Stearns (and, to the extent permitted by law, on behalf of their respective equity holders and creditors) hereby knowingly, voluntarily and irrevocably waives any right it may have to a trial by jury in respect of any claim based

upon, arising out of or in connection with this Agreement, any Transaction, Opinion or Financing. Each of the Company and Bear Stearns hereby certifies that no representative or agent of the other party has represented expressly or otherwise that such party would not seek to enforce the provisions of this waiver. Further each of the Company and Bear Stearns acknowledges that each party has been induced to enter this Agreement by, inter, alia, the provisions of this paragraph.

15. If it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that any term or provision hereof is invalid or unenforceable, (i) the remaining terms and provisions hereof shall be unimpaired and shall remain in full force and effect and (ii) the invalid or unenforceable provision or term shall be replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term or provision.

16. This Agreement embodies the entire agreement and understanding of the parties hereto and supersedes any and all prior agreements, arrangements and understanding relating to the matters provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in writing signed by a duly authorized representative of each party.

17. The Company has all requisite corporate power and authority to enter into this Agreement and the transactions contemplated hereby (including, without limitation, any Transaction or Financing). This Agreement has been duly and validly authorized by all necessary corporate action on the part of the Company and has duly executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms.

18. This Agreement does not create, and shall not be construed as creating, rights enforceable by any person or entity not a party hereto, except those entitled thereto by virtue of paragraph 11 and the Indemnification Provisions hereof. The Company acknowledges and agrees that Bear Stearns is not and shall not be construed as a fiduciary of the Company and shall have no duties or liabilities to the equity holders or creditors of the Company or any other person by virtue of this Agreement or the retention of Bear Stearns hereunder, all of which are hereby expressly waived. The Company also agrees that Bear Stearns shall not have any liability (including without limitation, liability for losses, claims, damages, obligations, penalties, judgments, awards, costs, liabilities, expenses or disbursements resulting from any negligent act or omission of Bear Stearns) (whether direct or indirect, in contract, tort or otherwise) to the Company or to any person (including, without limitation, equity holders and creditors of the Company) claiming through the Company for or in connection with the engagement of Bear Stearns, this Agreement and the transactions contemplated hereby (including, without limitation, any Transaction, Financing or Opinion). The Company acknowledges that Bear Stearns was induced to enter into this Agreement by inter, alia, the provisions of this paragraph.

19. For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto. Each such counterpart shall be, and shall be deemed to be, an original instrument, but all such counterparts taken together shall constitute one and the same Agreement.

If the foregoing correctly sets forth our Agreement, please sign the enclosed copy of this letter in the space provided and return it to us.

Very truly yours,
BEAR, STEARNS & CO. INC.

By: /s/ David H. Glaser

Managing Director

Confirmed and Agreed to

this 23rd day of January 1996

HASBRO, INC.

By: /s/ Harold P. Gordon

Name: Harold P. Gordon
Title: Vice Chairman

INDEMNIFICATION PROVISIONS

The Company (as such term is defined in the Agreement (as such term is defined below)) agrees to indemnify and hold harmless Bear Stearns to the fullest extent permitted by law, from and against any and all losses, claims, damages, obligations, penalties, judgments, awards, liabilities, costs, expenses and disbursements (and any and all actions, suits, proceedings and investigations in respect thereof and any and all legal and other out-of-pocket costs, expenses and disbursements in giving testimony or furnishing documents in response to a subpoena or otherwise), including, without limitations, the costs, expenses and disbursements, as and when incurred, of investigating, preparing or defending any such action, suit, proceeding or investigation (whether or not in connection with litigation in which Bear Stearns is a party), directly or indirectly, caused by, relating to, based upon, arising out of or in connection with (a) Bear Stearns' acting for the Company, including, without limitation, any act or omission by Bear Stearns in connection with its acceptance of or the performance or non-performance of its obligations under the agreement dated As of January 16, 1996 between Bear Stearns and Hasbro, Inc., as it may be amended from time to time (the "Agreement"), (b) the Offer (as such terms is defined in the Agreement), (c) any Transaction (as such term is defined in the Agreement), (d) any Opinion (as such term is defined in the Agreement), (e) any Financing (as such term is defined in the Agreement) or (f) any untrue statement or alleged untrue statement of a material fact contained in, or omissions or alleged omissions from, any filing with any Agency (as such terms is defined in the Agreement) or similar statements or omissions in or from any information furnished to Bear Stearns, the shareholders of the Company or any Acquiror (as such term is defined in the Agreement) by the Company; provided, however, such indemnity agreement shall not apply to any portion of any such loss, claim, damage, obligation, penalty, judgment, award, liability, cost, expense or disbursement to the extent it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from the gross negligence or willful misconduct of Bear Stearns.

These Indemnification Provisions shall be in addition to any liability which the Company may otherwise have to Bear Stearns or the persons indemnified below in this sentence and shall extend to the following: The Bear Stearns Companies Inc., Bear, Stearns & Co. Inc., their respective affiliated entities, directors, officers, employees, legal counsel, agents and controlling persons of Bear Stearns within the meaning of the federal securities laws. All references to Bear Stearns in these Indemnification Provision shall be understood to include any and all of the foregoing.

If any action, suit, proceeding or investigation is commenced, as to which Bear Stearns proposes to demand indemnification, it shall notify the Company with reasonable promptness; provided, however, that any failure by Bear Stearns to notify the Company shall not relieve the Company from its obligations hereunder unless the Company is materially prejudiced by the failure of Bear Stearns to give such notice. Bear Stearns shall have the right to retain counsel of its own choice to represent it after consultation with the Company and such counsel being reasonably acceptable to the Company, and the Company shall pay the reasonable fees, expenses and disbursements of such counsel; and such counsel shall, to the extent consistent with its professional responsibilities, cooperate with the Company and any counsel designated by the Company. The Company shall be liable for any settlement of any claim against Bear Stearns made with the Company's written consent, which consent shall not be unreasonably withheld. The Company shall not, without the prior written consent of Bear Stearns, settle or compromise any claim, or permit a default or compromise or consent includes, as an unconditional term thereof, the giving by claimant to Bear Stearns of an unconditional and irrevocable release from all liability in respect of such claim.

In order to provide for just and equitable contribution, if a claim for indemnification pursuant to these Indemnification Provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification in such case, then the Company, on the one hand, and Bear Stearns, on the other hand, shall contribute to the losses, claims, damages, obligations, penalties, judgments, awards, liabilities, costs and expenses to which the indemnified persons may be subject in accordance with the relative benefits received by the Company, on the one hand, and Bear Stearns, on the other hand, and also the relative fault of the Company, on the one hand, and Bear Stearns, on the other hand, in connection with the statements, acts or omissions which resulted in such losses, claims, damages, obligations, penalties, judgments, awards, liabilities, costs and expenses and the relevant equitable considerations shall also be considered. No person found liable for a fraudulent misrepresentation shall be entitled to contribution from any person who is not also found liable for such fraudulent misrepresentation. Notwithstanding the foregoing, Bear Stearns shall not be obligated to contribute any amount hereunder that exceeds the amount of fees previously received by Bear Stearns pursuant to the Agreement.

Neither termination nor completion of the engagement of Bear Stearns referred to above shall affect these Indemnification Provisions which shall then remain operative and in full force and effect.

EXHIBIT 10(aa)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made as of this 1st day of January, 1996 is entered into by Hasbro, Inc., a corporation with its principal place of business at Pawtucket, Rhode Island (the "Company"), and Harold P. Gordon (the "Employee").

The Company and the Employee desire to set forth the terms and conditions governing the Company's employment of the Employee. In consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. Titles; Capacities. The Employee is serving and continues to serve as Vice Chairman of the Company and in such senior executive positions with the Company and with domestic and foreign subsidiaries of the Company as the Company's Board of Directors (the "Board") and the Chairman and Chief Executive Officer of the Company may reasonably determine from time to time. The Employee shall be based at the Company's headquarters in Pawtucket, Rhode Island and shall undertake such domestic and foreign business travel as shall be reasonably required to fulfill his duties. The Employee shall be subject to the supervision of, and shall have such authority as is delegated to him by, the Chairman and Chief Executive Officer of the Company and the Board.

The Employee shall continue to serve as a Director of the Company. The Company agrees to use its best efforts to cause the Employee to be nominated for re-election as a Director upon the expiration of his current or any future term as a Director and to recommend his election.

The Employee hereby agrees to undertake the duties and responsibilities inherent in his positions and such other duties and responsibilities as the Chairman and Chief Executive Officer of the Company or the Board shall from time to time reasonably assign to him. It is contemplated that a significant portion of Executive's duties and responsibilities will involve the Company's foreign operations. The Employee agrees to devote substantially his entire business time, attention and energies to the business and interests of the Company during the Employment Period. The Employee now is a director of several other corporations and renders consulting services to various clients. The Employee may serve on the boards of directors of other businesses, trade associations and charitable organizations, render consulting services, engage in charitable activities and community affairs and manage his personal investments and affairs as long as these activities present no conflict of interest and do not materially interfere with the performance of his duties hereunder.

The Employee agrees to abide in all material respects with the policies of the Company applicable to senior executives, officers and members of the Board and any changes therein which may be adopted from time to time by the Company.

2. Compensation and Benefits.

2.1 Salary and Bonus. Effective February 1, 1996, the Company shall pay the Employee, in weekly installments, an annual base salary of $526,000. Such salary shall be subject to upward adjustment thereafter as determined by the Chairman and Chief Executive Officer, the Board and/or the Compensation and Stock Option Committee of the Board. In addition, the Employee shall be eligible to participate in the Company's management incentive bonus arrangement with a target bonus of 45% of base salary, a threshold of 10% and a maximum of 90%.

2.2 Stock Retention. The Company and the Employee confirm that under the current stock retention guidelines adopted by the Compensation and Stock Option Committee of the Board of Directors, future grants of premium priced options to Employee will be conditioned upon the Employee's ownership of 10,000 shares of the Common Stock of the Company, provided, that in accordance with such policy, Employee will have until February 17, 2000 to establish said ownership level.

2.3 Change in Control. The Company and the Employee are parties to an Employment Agreement dated as of May 10, 1995 to provide the Employee with certain additional benefits upon the occurrence of a Change in Control of the Company (as defined therein) (the "Change in Control Agreement").

The Change in Control Agreement is hereby amended as follows (and, as so amended, is hereinafter referred to as the "Amended Change in Control Agreement"):

(a) The following definition is added to Section 1:

"(c) 'Employment Agreement' shall mean the Employment Agreement, dated as of January 1, 1996, between the Executive and the Company."

(b) Section 4(a)(i)(B) is amended by inserting "U.S." before the first occurrence of the word "location".

(c) Section 4(a)(ii) is amended by inserting the following sentence before the last sentence thereof:

"In addition, it shall not be a violation of this Agreement for Executive to engage in any activity permitted by Section 2 of the Employment Agreement."

(d) Section 4(b) is amended by adding a new paragraph (x) at the end thereof to read in its entirety as follows:

"(x) For purposes of paragraph (ii), the Recent Average Bonus shall be determined with reference to the actual number of fiscal years during which the Employee was employed, if the Employee had been employed during fewer than three fiscal years. For purposes of paragraph (iii) the Average Annual Bonus shall be determined with reference to the actual number of fiscal years during which the Employee was employed, if the Employee had been employed during fewer than five fiscal years. Paragraphs (iv) through (ix) shall be applied by taking into consideration any plan, procedure, policy or arrangement referred to in said paragraphs in effect under the Employment Agreement or otherwise."

(e) Section 6(i) is hereby amended by inserting the following phrase after the phrase ("the 'Special Termination Amount')":

"(provided, however, that the Executive may elect to defer payment of all or any part of the Special Termination Amount until a date within the first two calendar weeks of January in the year following the year in which the Date of Termination occurs)."

(f) Section 6(a)(i)(C) is amended by inserting the phrase, "excluding the plan described in Section 2.4(b) of the Employment Agreement" after the first occurrence of the word "Executive".

(g) A new Section 6(a)(i)(D) is added to read in its entirety as follows:

"D. a separate lump-sum benefit equal to the lump-sum amount payable pursuant to Section 2.4(b) of the Employment Agreement which the Executive would receive if the Executive's employment continued at the compensation level provided for in Section 4(b)(i) and 4(b)(ii) of this Agreement for the remainder of the Employment Period; and"

(h) Section 12(f) is amended by deleting the first word of the second sentence thereof and by capitalizing the first remaining word of the second sentence.

(i) A new Section 12(g) is hereby added to read in its entirety as follows:

"Any reference to this Agreement in Sections 8 through 12, above, shall be deemed to refer to the Employment Agreement as well unless a specific section reference is made."

Except as amended hereby, the Change in Control Agreement shall remain unamended and in full force and effect. Any benefits payable under this Agreement are not intended to replace or supplant any benefits payable under the Amended Change in Control Agreement.

2.4 Retirement Benefits.

(a) The Employee shall be a participant in the Hasbro, Inc. Pension Plan (the "Pension Plan") and the Hasbro, Inc. Supplemental Retirement Benefit Plan (the "Supplemental Plan") on the same basis as other senior executives of the Company.

(b) In addition, after the Employee's employment terminates for any reason, the Employee shall receive an annuity payable in monthly installments, the first such installment being paid on the first day of the month following the month in which the employee attains age 65 or his employment terminates, whichever occurs later (subject to earlier commencement, as referred to below), and the last such installment being paid on the first day of the month in which the Employee dies, in which the annual amount is 3.33% of the Employee's Final Average Pay multiplied by the number of full years the Employee had been employed by the Company at termination of employment. The amount payable under the preceding sentence shall be reduced by the sum of the benefits payable to the Employee in the form of a life annuity commencing at age 65 (or such later date), under (a) the Pension Plan, (b) the Supplemental Plan and (c) U.S. Social Security. For purposes of this supplemental retirement benefit the Employee's Final Average Pay shall be one-fifth of the total salaries and bonuses received by the Employee in the five highest consecutive years during the Employees' period of employment. If the Employee had been employed by the Company for fewer than five years the Employee's Final Average Pay shall be the annualized average of the Employee's total salary and bonuses during the period of employment.

At the Employee's option, the benefit described above shall be payable in any actuarially equivalent annuity form of benefit provided under the Pension Plan or an actuarially equivalent lump sum, determined using the actuarial conversion factors used for the Pension Plan. If the benefit commences prior to age 65, it shall be reduced by the early retirement reduction factor set forth in the Pension Plan. Any lump sum payment shall be made during the first two calendar weeks of January in the year following termination of employment.

The benefits provided under this Section 2.4 shall be unfunded and shall be paid from the general assets of the Company. The Employee shall have a right to the benefit hereunder no greater than the right of an unsecured general creditor of the Company. The benefits are not assignable by the Employee prior to receipt.

2.5 Life Insurance. The Company shall maintain a key executive life insurance policy in an amount sufficient to pay the Employee a life annuity benefit of $225,000 per year payable in equal monthly installments on the first day of each calender month, the first such payment to be made on the first day of the month following the month in which occurs the Employee's 65th birthday (or termination of employment, if later) and the last such payment to be the payment for the month in which the Employee dies. If the underlying value of such insurance policy is ever insufficient to pay such annuity payments, then the Company shall pay such annuity payments from its general assets. If the Employee had been employed for fewer than seven years upon termination of employment the amount payable shall be determined as set forth in the following table:

Full Years of Employment	Annual Benefit Commencing at Age 65, if Retired
At least 1 but less than 2	$ 32,143
At least 2 but less than 3	$ 64,286
At least 3 but less than 4	$ 96,429
At least 4 but less than 5	$128,571
At least 5 but less than 6	$160,714
At least 6 but less than 7	$192,857
7 or more	$225,000

If the Employee's employment is terminated prior to February 1, 2000 by mutual consent, by constructive termination (as defined in Section 2.6, below) or involuntarily by the Company without Cause, the Employee shall be deemed to have completed 5 years of employment and may acquire additional years of vested benefits at a cost of $216,480 per year, such cost to be deducted from the severance pay provided under Section 2.6, below. If the Employee dies prior to the commencement of the annuity payments under this Section 2.5, the Employee's beneficiary shall be eligible to receive a lump sum death benefit of $1,500,000 and none of the other amounts set forth in this Section 2.5 shall be payable. If Employee dies after the commencement of the annuity payments under this Section 2.5 and before the receipt of 240 monthly annuity payments, monthly annuity payments shall be paid to the beneficiary of the Employee on their scheduled due dates until the number of monthly annuity payments made to the Employee and his beneficiary reaches 240. For purposes of this Agreement, "Cause" shall mean (i) repeated violations by the Employee of the Employee's obligations under Section 1 of this Agreement (other than as a result of incapacity due to physical or mental illness) which are demonstrably willful and deliberate on the Employee's part, which are committed in bad faith or without reasonable belief that such violations are in the best interests of the Company and which are not remedied in a reasonable period of time after receipt of written notice from the Board specifying such violations or (ii) the conviction of the Employee of a felony involving moral turpitude.

2.6 Severance Pay. If the Employee's employment is terminated during the first five years of employment by mutual consent, by constructive termination or involuntarily by the Company without Cause, the Employee's base salary payable at the time of such termination shall be continued for the period set forth in the following table opposite the employment period in which such termination of employment occurred. If the Company's severance policy for senior executives would pay a larger benefit, the Employee shall receive such larger benefit.

Employment Period During which Termination Occurs: From	To	Period of Base Pay Continuation
January 1, 1996	January 31, 1997	3 years
February 1, 1997	January 31, 1998	3 years
February 1, 1998	April 30, 1998	2 years 9 months
May 1, 1998	July 31, 1998	2 years 6 months
August 1, 1998	October 31, 1998	2 years 3 months
November 1, 1998	January 31, 1999	2 years
February 1, 1999	April 30, 1999	1 year 9 months
May 1, 1999	July 31, 1999	1 year 6 months
August 1, 1999	January 31, 2000	1 year 3 months

For purposes of this agreement a constructive termination of the Employee's employment shall occur if the Employee terminates employment pursuant to Section 5(c) of the Amended Change in Control Agreement or within one year after the occurrence of any of the following without the explicit written consent of the Employee: (a) diminution of responsibilities, (b) removal from or failure to be reelected to the Board of Directors of the Company, (c) a change in work location beyond a 50 mile radius from the Employee's current location of employment (it being understood that foreign business travel shall not constitute a "change in work location" for these purposes unless it averages more than one calendar week per month outside North America), or (d) any breach of Section 2 of this Agreement or any other material breach of this Agreement by the Company. The payment of benefits hereunder upon the occurrence of a constructive termination shall be in addition to, and not in lieu of, any benefits pursuant to the Amended Change in Control Agreement. Notwithstanding the preceding provisions of this Section 2.6, if a constructive termination occurs after the occurrence of a Change in Control, the Employee shall only be entitled to the greater of the benefits provided under this Section 2.6 or under Section 6(a)(i)(B) of the Amended Change in Control Agreement.

2.7 Additional Benefits and Perquisites.

(a) Financial Planning. The Company shall provide the Employee at its expense with financial planning assistance, such assistance as may be reasonably required to prepare any income tax returns that the Employee may be required to file and such assistance as may be reasonably required to prepare an appropriate estate plan.

(b) Automobile. The Company shall make available to the Employee a Company automobile allowance or leased automobile suitable to the Employee's position in accordance with the Company's automobile policy.

(c) Financing. The Company agrees to provide short term financing to the Employee at rates equivalent to the Company's cost of money during the Employee's transition to the Company to enable the Employee to meet

Canadian tax obligations or to take advantage of Canadian tax planning opportunities. In addition, the Company agrees to pay all costs of the issuance of any letter of credit that may be required by Canadian tax authorities for exit purposes. If any other issues arise with respect to differences between the Canadian and U.S. tax systems which would have a negative effect on the Employee, the Company shall use its best efforts to provide the necessary financial and legal assistance to eliminate such negative effect to the extent reasonably practicable.

(d) Relocation. Employee shall be eligible for relocation benefits under the Company's policy concerning relocation expenses for senior executives, except that the real estate assistance provided under such policy shall be made available for both of the Employee's Canadian residences when these residences are actually offered for sale.

For purposes of computing any real estate market value shortfall payable to the employee upon sale of each of the Canadian residences, the Company shall rely on the objective real estate appraisals conducted upon the employee's commencement of employment.

If the Employee purchases a primary residence in the U.S. and the Employee's employment is terminated within the first 7 years of employment by mutual consent, by retirement, or is constructively terminated or involuntarily terminated without Cause by the Company, the Company shall provide relocation assistance as may be required to sell the employee's primary U.S. residence including a guarantee of the original purchase price of the primary residence plus the fair market value of any capital improvements.

In addition, the Employee shall receive such additional relocation benefits as may be agreed upon by the Chairman & Chief Executive Officer of the Company and the Employee.

2.8 Fringe Benefits. During the employment period, the Employee shall be entitled to participate in all bonus and benefit plans and programs that the Company establishes and makes available to its senior executives or employees generally, as they may be in effect from time to time, if any, to the extent that Employee's position, tenure, salary, age, health and other qualifications make him eligible to participate, including, but not limited to, the programs indicated in the Hasbro Benefits Summary previously delivered to Employee. The Employee shall be entitled to paid vacation at the level made available to senior officers generally.

2.9 Reimbursement of Expenses. The Company shall reimburse the Employee for business expenses pursuant to the Company's Business Expense Policy that applies to senior executives of the Company.

2.10 Calculation of Years of Employment. For purposes of determining the Employee's years or period of employment for this Agreement or the Amended Change in Control Agreement, the Employee shall be deemed to have worked full time for the Company, without interruption, from February 1, 1995 through the date of determination.

3. Employment Termination. The employment of the Employee by the Company pursuant to this Agreement shall terminate upon the occurrence of any of the following:

3.1 At the election of the Company, with or without Cause, immediately upon written notice by the Company to the Employee;

3.2 Thirty days after the death or disability of the Employee. As used in this Agreement, the term "disability" shall mean the inability of the Employee, due to a physical or mental disability, for a continuous period of 180 days to substantially perform the services contemplated under this Agreement. A determination of disability shall be made by a physician satisfactory to both the Employee and the Company, provided that if the Employee and the Company do not agree on a physician, the Employee and the Company shall each select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties;

3.3 At the election of the Employee upon constructive termination of employment or otherwise, upon five business days' prior written notice of termination; or

3.4 By mutual consent of the Employee and the Company.

4. Effect of Termination. In the event the Employee's employment shall have terminated pursuant to Section 3, the Company shall pay or provide to the Employee the compensation and benefits otherwise payable or to be provided to him under Section 2 and the Employee shall be under no obligation to seek other employment, and there shall be no offset against amounts due the Employee under this Agreement or the Amended Change in Control Agreement on account of any remuneration attributable to any subsequent employment he may obtain.

5. Proprietary Information and Developments. The Employee agrees to execute the Company's standard Invention Assignment and Proprietary Information Agreement.

6. Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party at the address shown above, or at such other address or addresses as either party shall designate to the other in accordance with this Section 6.

7. Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

8. Entire Agreement. This Agreement, together with the agreements referred to in Sections 2.3 and 4, constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

9. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Employee.

10. Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Rhode Island.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of the Employee are personal and shall not be assigned by him. Notwithstanding the foregoing, the Company may, with the Employee's consent, assign an appropriate portion of its obligations hereunder to one or more of its foreign subsidiaries.

12. Miscellaneous.

12.1 No delay or omission by the Company or the Employee in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company or the Employee on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

12.2 The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

12.3 The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

12.4 In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

HASBRO, INC.

By: /s/ Alan G. Hassenfeld

Title: Chairman and CEO

EMPLOYEE

/s/ Harold P. Gordon

Harold P. Gordon

SEVERANCE AND SETTLEMENT AGREEMENT AND RELEASE

AGREEMENT made as of the 20th day of December, 1995, by and between Hasbro, Inc. (the "Company") and Dan D. Owen ("the Employee").

WHEREAS, the parties wish to establish the terms of the Employee's severance arrangement and to provide severance compensation to the Employee in consideration for restricting his right to compete with the Company;

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, the sufficiency of which is hereby acknowledged, the Company and the Employee agree as follows:

1. Monetary Consideration. In the event of the involuntary termination without cause of the Employee's employment by the Company or the Employee's constructive termination, the Company agrees to continue to pay the Employee an amount equal to the equivalent of two years' base salary in effect on the date of termination, plus any applicable bonuses, less all applicable state and federal taxes as severance pay ("severance pay"). The severance pay will be paid to the Employee in equal periodic payments which correspond to the payment periods then in effect at the time of his termination. In addition to severance pay, in the event of any such termination, the Employee will also receive for the period of one year, in accordance with the Company's policies then in effect, (a) use of a leased car and (b) health insurance. In addition, the Employee shall have the right to exercise all stock options for the Company's stock in accordance with the terms of the applicable stock option plans. In the event the Employee obtains employment during the first year following his termination, his use of a leased car and health insurance shall immediately terminate.

A termination shall be deemed to be "for cause" if based upon a good faith finding by the Company of a material failure of the Employee to perform his assigned duties for the Company, dishonesty, gross negligence or misconduct. For the purposes of this Agreement, a constructive termination of the Employee's employment shall occur if the Employee terminates employment within one year after the occurrence of any of the following without the explicit written consent of the Employee: (a) substantial diminution of responsibilities or compensation or (b) a change in work location beyond a 100 mile radius from the Employee's current location of employment. In the event the Employee's employment terminates due to death, the Employee or his estate shall receive an amount equivalent to four months' salary and any applicable bonus, on a prorated basis, less all applicable state and federal taxes, as severance pay.

In the event the Employee's employment is terminated by either the Company or the Employee due to disability, the Employee shall be entitled to receive severance pay in the same amount, on the same terms and paid on the same basis, as if he had been involuntarily terminated without cause; provided, however, that the amount of the Employee's severance pay shall be reduced by any amounts he is eligible to receive under the Company's long-term disability plan or any other similar insurance plans of the Company in which the Employee participates. As used in this Agreement, the term disability shall mean the inability of the Employee to perform his assigned duties, due to a physical or mental disability, for a period of 120 days, whether or not consecutive, during any 360-day period. A determination of disability shall be made by a physician satisfactory to both the Employee and the Company, provided that if the Employee and the Company do not agree on a physician, the Employee and the Company shall each select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties. In the event the Employee is terminated without cause or is constructively terminated, the Company shall be obligated to pay what would otherwise be the Employee's obligation to make payments for medical insurance under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

2. Release. Immediately following his termination without cause or constructive termination, the Employee agrees to sign a release and covenant not to sue (the "Release") in the form appended hereto as Exhibit A or in such other form as may be requested by the Company. The Company shall not be obligated to make any payments pursuant to paragraph 1 of this agreement unless and until it receives a release in a form satisfactory to the Company. The other provisions of this Agreement, including but not limited to paragraphs 3 and 4, shall be in force and effect even if the Employee does not sign the Release and covenant not to sue as required by this paragraph.

3. Non-Compete.

(a) During the period of the severance agreement, the Employee will not directly or indirectly:

(i) as an individual proprietor, partner, stockholder, officer, employee, director, joint venturer, investor, lender, or in any other capacity whatsoever (other than as the holder of not more than one percent (1%) of the total outstanding stock of a publicly held company), engage in directly or indirectly the marketing, distribution or sale of toys, or any enterprise whose business, in whole or in substantial part, is the development, manufacture or sale of toys in competition with Hasbro, Inc. or any of its subsidiaries or affiliates; or

(ii) recruit, solicit or induce, or attempt to induce, any employee or employees of the Company to terminate their employment with, or otherwise cease their relationship with, the Company; or

(iii) solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any of the clients, customers or accounts, or active prospects, customers or accounts, of the Company which were contacted, solicited or served by the Employee while employed by the Company.

(b) If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) The restrictions contained in this Section are necessary for the protection of the business and goodwill of the Company and are considered by the Employee to be reasonable for such purpose. The Employee agrees that any material breach of this Section will cause the Company substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company shall have the right to seek specific performance and injunctive relief.

4. Proprietary Information.

(a) Employee agrees that all information and know-how, whether or not in writing, of a private, secret or confidential nature concerning the Company's business or financial affairs (collectively, "Proprietary Information") is and shall be the exclusive property of the Company. By way of illustration, but not limitation, Proprietary Information may include inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, plans, research data, clinical data, financial data, personnel data, computer programs, and customer and supplier lists. Employee will not disclose any Proprietary Information to others outside the Company or use the same for any unauthorized purposes without written approval by an officer of the Company, either during or after his employment, unless and until such Proprietary Information has become public knowledge without fault by the Employee.

(b) Employee agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, or other tangible material containing Proprietary Information, whether created by the Employee or others, which shall come into his custody or possession, shall be and are the exclusive property of the Company to be used by the Employee only in the performance of his duties for the Company.

(c) Employee agrees that his obligation not to disclose or use information, know-how and records of the types set forth in paragraphs (a) and (b) above, also extends to such types of information, know-how, records and tangible property of customers of the Company or suppliers to the Company or other third parties who may have disclosed or entrusted the same to the Company or to the Employee in the course of the Company's business.

5. No Reinstatement. The Employee understands and agrees that, as a condition for payment to him of the above-described sums, he shall not be entitled to any employment with the Company or with any of its corporate affiliates at any time in the future, and that he will not apply for employment with the Company or with any of its corporate affiliates unless the Company requests in writing that he apply for such employment.

6. Nature of Agreement. The Employee understands and agrees that this Agreement is a severance and settlement agreement and does not

constitute an admission of liability or wrongdoing on the part of the Company.

7. Amendment. This Agreement shall be binding upon the parties and may not be abandoned, supplemented, changed or modified in any manner, orally or otherwise, except by an instrument in writing of concurrent or subsequent date signed by a duly authorized representative of the parties hereto. This Agreement is binding upon and shall inure to the benefit of the parties and their respective agents, assigns, heirs, executors, successors and administrators.

8. Validity. Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected thereby and said illegal and invalid part, term or provision shall be deemed not to be a part of this Agreement.

9. Confidentiality. The Employee understands and agrees that the terms and contents of this Agreement, and the contents of the negotiations and discussions resulting in this Agreement, shall be maintained as confidential by the Employee, his agents and representatives, and the dispute resolved by this Agreement shall also remain confidential, and none of the above shall be disclosed except to the extent required by federal or state law or as otherwise agreed to in writing by the authorized agent of each party.

10. Entire Agreement. This Agreement contains and constitutes the entire understanding and agreement between the parties hereto with respect to the severance and settlement and cancels all previous oral and written negotiations, agreements, commitments, and writings in connection therewith.

11. References. In the event of any termination of the Employee's employment, for any reason whatsoever, the Company will respond to all inquiries for recommendations, references, or other information about the Employee with the specific dates of his employ, position, title, and responsibilities, and will provide no evaluation, assessment, reference, or other information without the prior written consent of the Employee.

12. Applicable Law. This Agreement shall be governed by the laws of the State of Rhode Island.

13. Acknowledgments. The Employee acknowledges that he has been given twenty-one (21) days to consider this Agreement and that the Company advised him to consult with an attorney of his own choosing prior to signing this Agreement. The Employee may revoke this Agreement for a period of seven (7) days after the execution of this Agreement, and the Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period.

14. Voluntary Assent. The Employee affirms that no other promises or agreements of any kind have been made to or with him by any person or entity whatsoever to cause him to sign this Agreement, and that he fully understands the meaning and intent of this Agreement. The Employee states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. The Employee further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act.

IN WITNESS WHEREOF, all parties have set their hand and seal to this Agreement as of the date written above.

By: /s/ Dan D. Owen   Date: December 14, 1995

By: /s/ Alfred J. Verrecchia   Date: December 20, 1995

Exhibit A

Release. The Employee hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its officers, directors, stockholders, corporate affiliates, agents and employees from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which he ever had or now has against the Company, its officers, directors, stockholders, corporate affiliates, agents and employees, including, but not limited to, all claims arising out of his employment, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. Section 621 et seq., and M.G.L. c.151B, Section 1 et seq., the Americans With Disabilities Act, 29 U.S.C. Section 706 et seq., damages arising out of all employment discrimination claims, wrongful discharge claims or other statutory or common law claims and damages. This paragraph shall not release the Employee's right to enforce the terms of the Agreement by and between Hasbro, Inc. and Dan D. Owen dated December 20, 1995.

Covenant Not To Sue. The Employee further represents and warrants that he has not filed any complaints, charges, or claims for relief against the Company, its officers, directors, stockholders, corporate affiliates, agents or employees with any local, state or federal court or administrative agency which currently are outstanding. If he has done so, he will forthwith dismiss all such complaints, charges, or claims for relief with prejudice. The Employee further agrees and covenants not to bring any complaints, charges or claims against the Company, its officers, directors, stockholders, corporate affiliates, agents or employees with respect to any matters arising out of his employment with or termination by the Company. This paragraph shall not release the Employee's right to enforce the terms of the Agreement by and between Hasbro, Inc. and Dan D. Owen dated December 20, 1995.

By: _________________________ Date:

March 28, 1996

Hasbro, Inc.
1027 Newport Avenue
Pawtucket, RI 02862

Attention Alfred J. Verrecchia
Chief Operating Officer
Domestic Toy Operations

Dear Al:

I refer to my employment agreement (the "Change of Control Agreement"), dated as of August 3, 1995 and my Severance and Settlement Agreement and Release dated as of December 20, 1995 (the "Severance Agreement"). This will confirm that upon the "Effective Date" of the Change of Control Agreement, as defined in the Change of Control Agreement, the Change of Control Agreement shall supersede my Severance Agreement and the Severance Agreement shall, as of the Effective Date, no longer be in effect.

Very truly yours,

/s/ Dan D. Owen
- - ----------------
Dan D. Owen

ACCEPTED AND AGREED:

HASBRO, INC.

By: /s/ Alfred J. Verrecchia
____

EXHIBIT 11

HASBRO, INC. AND SUBSIDIARIES

Computation of Earnings Per Share

(Thousands of Dollars and Shares Except Per Share Data)

	1995		1994		1993	
	Primary	Fully Diluted	Primary	Fully Diluted	Primary	Fully Diluted
Net earnings before cumulative effect of change in accounting principles	$155,571	155,571	179,315	179,315	200,004	200,004
Interest and amortization on convertible notes, net of taxes	-	5,763	-	5,764	-	5,745
Net earnings before cumulative effect of change in accounting principles applicable to common shares	155,571	161,334	179,315	185,079	200,004	205,749
Cumulative effect of change in accounting principles	-	-	(4,282)	(4,282)	-	-
Net earnings applicable to common shares	$155,571	161,334	175,033	180,797	200,004	205,749
Weighted average number of shares outstanding:						
Outstanding at beginning of period	87,528	87,528	87,795	87,795	87,176	87,176
Exercise of stock options and warrants:						
Actual	204	204	305	305	304	304
Assumed	577	664	1,529	1,529	2,551	2,647
Assumed conversion of convertible notes	-	5,114	-	5,114	-	5,114
Purchase of common stock	(56)	(56)	(298)	(298)	-	-
Total	88,253	93,454	89,331	94,445	90,031	95,241
Per common share:						
Earnings before cumulative effect of change in accounting principles	$ 1.76	1.73	2.01	1.96	2.22	2.16
Cumulative effect of change in accounting principles	-	-	(.05)	(.05)	-	-
Net earnings	$ 1.76	1.73	1.96	1.91	2.22	2.16

EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges
Fiscal Years Ended in December

(Thousands of Dollars)

	1995	1994	1993	1992	1991
Earnings available for fixed charges:					
Net earnings	$155,571	175,033	200,004	179,164	81,654
Add:					
Cumulative effect of change in accounting principles	-	4,282	-	-	-
Fixed charges	52,422	44,280	42,839	48,050	52,801
Taxes on income	96,979	112,254	125,206	113,212	63,897
Total	$304,972	335,849	368,049	340,426	198,352
Fixed charges:					
Interest on long-term debt	$ 9,267	11,179	10,178	16,932	22,913
Other interest charges	28,321	19,610	19,636	18,959	19,417
Amortization of debt expense	339	429	386	623	267
Rental expense representative of interest factor	14,495	13,062	12,639	11,536	10,204
Total	$ 52,422	44,280	42,839	48,050	52,801
Ratio of earnings to fixed charges	5.82	7.58	8.59	7.08	3.76

EXHIBIT 13

HASBRO, INC. AND SUBSIDIARIES

Selected Information Contained in Annual Report to Shareholders

for the Year Ended December 31, 1995

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock, Par Value $.50 per share (the "Common Stock"), is traded on the American and London Stock Exchanges. The following table sets forth the high and low sales prices as reported on the Composite Tape of the American Stock Exchange and the cash dividends declared per share of Common Stock for the periods listed.

Period	Sales Prices High	Sales Prices Low	Cash Dividends Declared
1994			
1st Quarter	$36 5/8	33 3/8	$.07
2nd Quarter	36 1/8	28 1/8	.07
3rd Quarter	32 1/8	28 1/8	.07
4th Quarter	33 1/2	27 7/8	.07
1995			
1st Quarter	$33 7/8	28 3/8	$.08
2nd Quarter	35 1/4	31 3/8	.08
3rd Quarter	33 1/2	29 3/4	.08
4th Quarter	32 5/8	28 1/2	.08

The approximate number of holders of record of the Company's Common Stock as of March 1, 1996 was 5,000.

Dividends

Declaration of dividends is at the discretion of the Company's Board of Directors and will depend upon the earnings, financial condition of the Company and such other factors as the Board of Directors deems appropriate. Payment of dividends is further subject to restrictions contained in agreements relating to the Company's outstanding long-term debt. At December 31, 1995, under the most restrictive agreement the full amount of retained earnings is free of restrictions.

On February 16, 1996 the Company's Board of Directors declared a quarterly cash dividend on the Company's Common Stock of $.10 per share payable on May 17, 1996 to holders of record on May 3, 1996.

SELECTED FINANCIAL DATA

(Thousands of Dollars and Shares Except per share Data and Ratios)

	Fiscal Year 1995	1994	1993	1992	1991
Statement of Earnings Data:					
Net revenues	$2,858,210	2,670,262	2,747,176	2,541,055	2,141,096
Net earnings before cumulative effect of change in accounting principles	$ 155,571	179,315	200,004	179,164	81,654
Net earnings	$ 155,571	175,033	200,004	179,164	81,654
Per Common Share Data:					
Net earnings before cumulative effect of change in accounting					

principles	$	1.76	2.01	2.22	2.01	.94
Net earnings	$	1.76	1.96	2.22	2.01	.94
Cash dividends declared	$	.32	.28	.24	.20	.16
Balance Sheet Data:						
Total assets		$2,616,388	2,378,375	2,293,018	2,082,766	1,950,127
Long-term debt		$ 149,991	150,000	200,510	206,189	380,304
Ratio of Earnings to Fixed Charges (1)		5.82	7.58	8.59	7.08	3.76
Weighted Average Number of Common Shares		88,253	89,331	90,031	89,086	86,983

(1) For purposes of calculating the ratio of earnings to fixed charges, fixed charges include interest, amortization of debt expense and one-third of rentals, and earnings available for fixed charges represent earnings before fixed charges and income taxes.

MANAGEMENT'S REVIEW

Summary

A percentage analysis of results of operations follows:

	1995	1994	1993
Net revenues	100.0%	100.0%	100.0%
Cost of sales	43.3	43.5	43.0
Gross profit	56.7	56.5	57.0
Amortization	1.4	1.4	1.3
Royalties, research and development	10.7	10.2	10.2
Discontinued development project	1.1	-	-
Advertising	14.6	14.9	14.0
Selling, distribution and administration	19.4	18.5	18.1
Restructuring	-	.5	.6
Interest expense	1.3	1.1	1.1
Other income, net	(.6)	(1.0)	(.1)
Earnings before income taxes and cumulative effect of change in accounting principles	8.8	10.9	11.8
Income taxes	3.4	4.2	4.5
Earnings before cumulative effect of change in accounting principles	5.4	6.7	7.3
Cumulative effect of change in accounting principles	-	(.1)	-
Net earnings	5.4%	6.6%	7.3%

(Thousands of Dollars Except Share Data)

Results of Operations

Net revenues for 1995 were $2,858,210 compared to $2,670,262 and $2,747,176 for 1994 and 1993, respectively. Within the United States, the games group enjoyed another year of record revenues, up almost 15% over 1994. Their classics, such as Monopoly(R) and Scrabble(R) continued to show their staying power while new products, including Lucky Ducks(TM) and Chicken Limbo(TM) received very favorable consumer acceptance. During 1995, the Company introduced its first interactive game, a CD-ROM version of Monopoly, which had an excellent sell-through. Within the toy group, boys' toys were led by the Batman(R) and Star Wars(R) action figures. Radio-controlled vehicles, the 9.6 volt version of Ricochet(TM) in its second year and its new 6.0 volt version, also performed well. Activities, with its perennial favorites such as Play Doh(R) and Easy Bake(R) Oven, had a good year. The girls' area, however, proved to be the Company's biggest disappointment, experiencing a significant decline in revenues from those of the prior year. In the infant and preschool arena, the newly introduced Playskool(R) Playstore had a good first year as did Cool Tools(TM), now in its second year. The Company's growth in the international marketplace approximated 13% in 1995 following approximately 10% in 1994. European growth was led by the U.K., benefiting from the late 1994 acquisition of the Games Division of

John Waddington PLC, France and new operations in Scandinavia, all partially offset by a difficult year in Germany. Elsewhere, the Asian units, Canada and Mexico also showed growth in local currency. The impact of the continued weakening of the Mexican currency was such, however, that, when translated into U.S. dollars, Mexican revenues were significantly less than those of a year ago. In the aggregate, however, changed foreign currency rates had a positive impact of approximately $30,000 in 1995 and $19,000 in 1994. Lower consumer demand for two lines of licensed products during 1994, Barney(TM) and Jurassic Park(TM), which provided approximately $220,000 of revenues during 1993, was the major contributor to the Company's decrease in revenues between 1993 and 1994, with these items contributing less than $50,000 of revenues in 1994.

The Company's gross profit margin increased slightly to 56.7% from 56.5% in 1994 which had decreased from 57.0% in 1993. The improvement in 1995 results from a combination of factors including a more favorable mix of products sold, the initial efficiencies from recent plant consolidations and the effect of GATT, all partially offset by increased material costs, specifically paper board and plastic resin.

Amortization expense, which includes amortization of both property rights and cost in excess of net assets acquired, of $38,471 compares with $36,903 in 1994 and $35,366 in 1993. These increases were attributable to the acquisitions during the respective years.

Expenditures for royalties, research and development increased to $304,704 from $273,039 in 1994, while in 1993 they were $280,571. Included in these amounts are expenditures for research and development of $148,057 in 1995, $135,406 in 1994 and $125,566 in 1993. As percentages of net revenues, research and development was 5.2% in 1995, up marginally from 5.1% in 1994 and 4.6% in 1993. The increase in 1995 results from the Company's expanded product line, including its interactive CD-ROM games, partially offset by the decrease in costs associated with the now discontinued efforts to develop a mass-market virtual reality game system (see below). The increased percentage in 1994 was largely attributable to this game system. The increased royalties in 1995, both in amount and as a percentage of net revenues, were primarily attributable to the higher proportion of the Company's revenues arising from licensed products. The 1994 decrease from 1993 was largely due to the previously mentioned Barney and Jurassic Park products.

During the second quarter of 1995, the Company discontinued its efforts, begun in 1992, related to the development of a mass-market virtual reality game system. These efforts produced such a game system, but at a price judged to be too expensive for the mass-market. The impact of this decision on the quarter was a charge of $31,100, the estimated costs associated with such action. Approximately half of the charge resulted from the expensing of software development costs related to both the operating system and games for the system. These costs were previously capitalized under the provisions of Statement of Financial Accounting Standards No. 86. The remaining amount represented provisions for costs associated with discontinuing this project, including the termination of contractual agreements relating to the development of the system and games, the write-off of certain fixed assets and various other cancellation/termination costs.

During 1995, selling, distribution and administration costs increased to 19.4% of revenues from 18.5% in 1994 and 18.1% in 1993. The 1995 increase resulted from investment spending in certain newly organized and acquired operations, an overall rise in the Company's costs associated with distributing its products and the impact of general increases in expense levels, including costs associated with the 53rd week of operations included in the current fiscal year.

During 1994, the Company completed a restructuring of its Domestic Toy group, merging its Hasbro Toy, Playskool, Playskool Baby, Kenner and Kid Dimension units into one organization, the Hasbro Toy Group, and also announced a consolidation of its United States manufacturing facilities. To provide for these and other immaterial restructuring costs, the Company recorded a $12,500 pretax charge during the third quarter. During the fourth quarter of 1993, the Company recorded a $15,500 charge related to the planned closure of its Netherlands manufacturing facility and other non-recurring reorganization expenses classified as restructuring charges. The amounts in both years include facility costs, severance and other related costs.

Interest expense was $37,588 during 1995 compared to $30,789 during 1994 and $29,814 in 1993. The increase during the current year reflected the impact of higher interest rates and the Company's increased use of funds for acquisitions during the latter part of 1994 and in 1995. The increase in

1994 from 1993 reflected the effect of increased interest rates partially offset by the availability of funds generated from operations during 1993.

Other income of $16,566 in 1995 compares with $26,681 and $3,836 in 1994 and 1993, respectively. During 1994, the Company disposed of its minority investments in J.W. Spear & Sons PLC and Virgin Interactive Entertainment plc, realizing an aggregate pretax gain of approximately $23,000. Absent the impact of this gain, other income in 1995 increased approximately $13,000, largely the result of increased earnings from available funds. These funds, principally in the international units, are invested on a short-term basis locally.

Liquidity and Capital Resources

The Company continued to have a strong and highly liquid balance sheet with cash and cash equivalents of $161,030 at December 31, 1995. Cash and cash equivalents were $137,028 and $186,254 at December 25, 1994 and December 26, 1993, respectively.

During 1995, the Company generated $227,400 of net cash from its operating activities compared with $283,785 in 1994 and $217,237 in 1993. Included in this amount in 1995 was a net utilization of $67,117 for changes in operating assets and liabilities, primarily accounts receivable and inventories. The Company's accounts receivable were approximately 10% greater in 1995 than in 1994, reflecting both the increased level of fourth quarter sales, significant portions of which did not become due until after the end of the Company's fiscal year, and the impact of its new operations. Inventories, up more than 25%, also reflected the impact of new operations and expanded product lines as well as a planned increase to allow the Company to provide faster and more complete shipment of customer orders. Partially offsetting these utilizations was the increase in trade payables and other accrued liabilities reflecting the Company's increased and expanded levels of operations. The net change in operating assets and liabilities provided a relatively small amount of cash to the Company in 1994 while in 1993 utilized $80,594, principally due to higher receivables resulting from the increased fourth quarter sales.

Cash flows from investing activities were a net utilization of funds during all three reported years; $209,331, $244,178 and $126,001 in 1995, 1994 and 1993, respectively. During each of the three years, the Company expended an average of approximately $100,000 in additions to its property, plant and equipment. Of these amounts, 56% in 1995, 43% in 1994 and 44% in 1993 were for purchases of tools, dies and molds related to the Company's products. During those three years, depreciation and amortization expenses were $91,437, $85,368 and $65,282, respectively. In 1995, the Company purchased certain products, primarily the Super Soaker(TM) line, and other assets from the Larami Group of companies for $88,135 and made several other smaller investments. During 1994, the Company purchased certain game and puzzle assets of Western Publishing Company, Inc. and the Games Division of John Waddington PLC for an aggregate purchase price of $176,194 and made several other investments. During 1993 the Company made several small acquisitions and investments, none of which were material. The $59,322 of proceeds from sale of investments in 1994 relates to the transactions previously discussed.

As part of the traditional marketing strategies of the toy industry, many sales made early in the year are not due for payment until the fourth quarter or early in the first quarter of the subsequent year, thus making it necessary for the Company to borrow significant amounts pending these collections. During the year the Company borrowed through the issuance of commercial paper and short-term lines of credit to fund its seasonal working capital requirements in excess of funds available from operations. During 1996, the Company expects to fund these needs in a similar manner and believes that the funds available to it are adequate to meet its needs. At March 3, 1996, the Company's unused committed and uncommitted lines of credit, including a $440,000 revolving credit agreement, were in excess of $1,300,000.

During 1995, net financing activities provided a small amount of funds to the Company while during 1994 and 1993 they resulted in a larger utilization of funds. During 1995, the Company met its seasonal working capital requirements through short-term borrowings as in prior years. Unlike prior years, however, significant amounts were obtained through borrowings with maturities of three to nine months. During the year, the Company also repurchased more than $15,000 of its common stock. In 1994, the Company repaid more than $53,000 of long-term debt, including the early redemption of its $50,000 subordinated variable rate notes due in 1995. Several equity transactions also required the utilization of funds during 1994. These included the repurchase of more than $26,000 of the Company's common stock on the open market and approximately $16,000 in payments to exercising warrantholders in lieu of issuing shares of common stock.

Under prior authorizations of the Board of Directors (the Board) and the Executive Committee of the Board, the Company repurchased 496,400 shares of its common stock during 1995 and may repurchase up to an additional 6,067,700 shares. The Company anticipates that it will continue such purchases in the future when it deems conditions to be favorable. The shares acquired under these programs are being used for corporate purposes including issuance upon the exercise of stock options.

Foreign Currency Activity

The Company manages its foreign exchange exposure in various ways including forward exchange contracts and the netting of foreign exchange exposure. In addition, where possible, the Company minimizes its foreign asset exposure by borrowing in foreign currencies. Its policy is not to enter into derivative financial instruments for speculative purposes. It does, however, enter into certain foreign currency forward exchange contracts to protect itself from adverse currency rate fluctuations on identifiable foreign currency commitments, primarily for future purchases of inventory. Such contracts are denominated in currencies of major industrial countries and entered into with creditworthy banks for terms of not more than twelve months. At both December 31, 1995 and December 25, 1994, outstanding contracts related to purchases of either U.S. dollars or Hong Kong dollars. The Company does not anticipate any material adverse impact on its results of operations or financial position from these contracts.

Cumulative translation adjustments increased to $23,450 at December 31, 1995 from $14,526 at December 25, 1994. This increase was due to the relationship of the U.S. dollar relative to currencies in other countries in which the Company operates.

The Economy and Inflation

The Company continued to experience a difficult economic environment throughout much of the world during 1995. The principal market for the Company's products is the retail sector where certain customers have experienced economic difficulty. The Company closely monitors the credit worthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The effect of inflation on the Company's operations during 1995 was not significant and the Company will continue its policy of monitoring costs and adjusting prices accordingly.

Other Information

During the fourth quarter of 1993, the Company recorded a restructuring charge of $15,500, primarily relating to the planned closure of the Company's manufacturing facility in The Netherlands. The Company had initially planned to cease production at this facility during the second quarter of 1994 but was unable to do so. The actions necessary to comply with local regulations relating to such a closure took longer than anticipated and the Company did not cease production at this facility until the first quarter of 1995. A majority of the liability established for this closure has now been satisfied and the Company has begun to experience the positive results from this action including both the elimination of costs associated with the previously existing excess production capacity and the transfer of production to lower-cost manufacturing facilities. The remaining amount provided in 1993 related to several items, none of which were significant, either in cost or anticipated benefits. All of the liabilities established for such items have been satisfied and the expected benefits are being obtained.

During the third quarter of 1994 the Company recorded a restructuring charge of $12,500, primarily to cover costs associated with the restructuring of certain of its domestic operations. Included in such amount was a provision of approximately $4,400 for the costs associated with the termination of approximately 100 management employees. Substantially all of these employees have been terminated and a majority of the liability has been satisfied. Also part of this charge was a provision of approximately $3,400 for the costs associated with the termination of approximately 485 domestic manufacturing employees. Substantially all of these employees have also been terminated and a majority of the liability has been satisfied. The Company believes that the reorganized units are operating more efficiently and thus the anticipated savings, although impractical to quantify, are being experienced.

The Company's revenue pattern continues to show the second half of the year more significant to its overall business and within that half, the fourth quarter most prominent. The Company believes that this will continue in 1996.

The Company is not aware of any material amounts of potential exposure relating to environmental matters and does not believe its compliance costs or liabilities to be material to its operating results or financial position.

On October 23, 1995, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123). SFAS 123 encourages, but does not require, companies to adopt a new accounting method, recording the estimated fair value of employee stock options as compensation expense. If such new method is not adopted, proforma disclosure must be provided in a note to the financial statements. As the Company plans to provide the required proforma disclosure only, the adoption of SFAS 123 in 1996 will not have an impact on either its operating results or financial condition.

During 1996, the Company will also adopt Statement of Financial Accounting Standards No. 121, Accounting for Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (SFAS 121). The Company does not believe that the adoption of SFAS 121 will have a material impact on either its operating results or financial condition.

On February 19, 1996, the Company announced a 25% increase in its quarterly cash dividend from that previously in effect. The first dividend at the increased rate of $.10 per share is payable on May 17, 1996 to shareholders of record on May 3, 1996.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See attached pages.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

We have audited the accompanying consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 1995 and December 25, 1994 and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended December 31, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasbro, Inc. and subsidiaries as of December 31, 1995 and December 25, 1994 and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 31, 1995 in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Providence, Rhode Island

February 7, 1996

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 1995 and December 25, 1994

(Thousands of Dollars Except Share Data)

Assets	1995	1994
Current assets		
Cash and cash equivalents	$ 161,030	137,028
Accounts receivable, less allowance for doubtful accounts of $48,800 in 1995 and $51,000 in 1994	791,111	717,890
Inventories	315,620	244,407
Prepaid expenses and other current assets	157,737	153,138
Total current assets	1,425,498	1,252,463
Property, plant and equipment, net	313,240	308,879
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of $99,404 in 1995 and $82,949 in 1994	473,388	479,960
Other intangibles, less accumulated amortization of $79,648 in 1995 and $58,178 in 1994	343,624	295,333
Other	60,638	41,740
Total other assets	877,650	817,033
Total assets	$2,616,388	2,378,375

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets, Continued
December 31, 1995 and December 25, 1994

(Thousands of Dollars Except Share Data)

Liabilities and Shareholders' Equity	1995	1994
Current liabilities		
Short-term borrowings	$ 119,987	81,805
Trade payables	198,328	165,378
Accrued liabilities	433,567	417,763
Income taxes	117,982	98,786
Total current liabilities	869,864	763,732
Long-term debt	149,991	150,000
Deferred liabilities	70,921	69,226
Total liabilities	1,090,776	982,958
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 88,086,108 shares in 1995 and 88,085,802 shares in 1994	44,043	44,043
Additional paid-in capital	279,288	282,151
Retained earnings	1,201,242	1,071,416
Cumulative translation adjustments	23,450	14,526
Treasury stock, at cost, 741,237 shares in 1995 and 557,455 shares in 1994	(22,411)	(16,719)
Total shareholders' equity	1,525,612	1,395,417

Total liabilities and shareholders' equity	$2,616,388	2,378,375

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings
Fiscal Years Ended in December

(Thousands of Dollars Except Share Data)

	1995	1994	1993
Net revenues	$2,858,210	2,670,262	2,747,176
Cost of sales	1,237,197	1,161,479	1,182,567
Gross profit	1,621,013	1,508,783	1,564,609
Expenses			
Amortization	38,471	36,903	35,366
Royalties, research and development	304,704	273,039	280,571
Discontinued development project	31,100	-	-
Advertising	417,886	397,094	383,918
Selling, distribution and administration	555,280	493,570	498,066
Restructuring charges	-	12,500	15,500
Total expenses	1,347,441	1,213,106	1,213,421
Operating profit	273,572	295,677	351,188
Nonoperating (income) expense			
Interest expense	37,588	30,789	29,814
Other (income), net	(16,566)	(26,681)	(3,836)
Total nonoperating expense	21,022	4,108	25,978
Earnings before income taxes and cumulative effect of change in accounting principles	252,550	291,569	325,210
Income taxes	96,979	112,254	125,206
Earnings before cumulative effect of change in accounting principles	155,571	179,315	200,004
Cumulative effect of change in accounting principles	-	(4,282)	-
Net earnings	$ 155,571	175,033	200,004
Per common share			
Earnings before cumulative effect of change in accounting principles	$ 1.76	2.01	2.22
Net earnings	$ 1.76	1.96	2.22
Cash dividends declared	$ .32	.28	.24

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
Fiscal Years Ended in December

(Thousands of Dollars)

1995	1994	1993

Common stock			
Balance at beginning of year	$ 44,043	43,898	43,588
Stock option and warrant transactions	-	145	310
Balance at end of year	44,043	44,043	43,898
Additional paid-in capital			
Balance at beginning of year	282,151	296,823	287,478
Stock option and warrant transactions	(2,872)	(14,672)	9,345
Other	9	-	-
Balance at end of year	279,288	282,151	296,823
Retained earnings			
Balance at beginning of year	1,071,416	920,956	741,987
Net earnings	155,571	175,033	200,004
Dividends declared	(28,050)	(24,573)	(21,035)
Other	2,305	-	-
Balance at end of year	1,201,242	1,071,416	920,956
Cumulative translation adjustments			
Balance at beginning of year	14,526	15,006	32,568
Equity adjustments from foreign currency translation	8,924	(480)	(17,562)
Balance at end of year	23,450	14,526	15,006
Treasury stock			
Balance at beginning of year	(16,719)	-	-
Purchases	(15,228)	(26,140)	-
Stock option and warrant transactions	9,536	9,421	-
Balance at end of year	(22,411)	(16,719)	-
Total shareholders' equity	$1,525,612	1,395,417	1,276,683

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Fiscal Years Ended in December

(Thousands of Dollars)

	1995	1994	1993
Cash flows from operating activities			
Net earnings	$155,571	175,033	200,004
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	91,437	85,368	65,282
Other amortization	38,471	36,903	35,366
Deferred income taxes	(9,149)	(1,245)	2,281
Gain on investments	(474)	(25,284)	-
Discontinued development costs	13,256	-	-
Change in operating assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	(66,658)	9,871	(90,833)
(Increase) decrease in inventories	(64,686)	28,678	(34,088)
(Increase) in prepaid expenses and other current assets	(1,633)	(3,142)	(8,434)
(Decrease) increase in trade payables and other current liabilities	65,860	(22,231)	52,761
Other	5,405	(166)	(5,102)

Net cash provided by operating activities	227,400	283,785	217,237
Cash flows from investing activities			
Additions to property, plant and equipment	(100,639)	(110,944)	(99,792)
Investments and acquisitions, net of cash acquired	(117,406)	(192,379)	(32,171)
Purchase of marketable securities	-	-	(141,411)
Sale of investments	1,715	59,322	141,839
Other	6,999	(177)	5,534
Net cash utilized by investing activities	(209,331)	(244,178)	(126,001)

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued
Fiscal Years Ended in December

(Thousands of Dollars)

	1995	1994	1993
Cash flows from financing activities			
Proceeds from borrowings with original maturities of more than three months	433,646	-	-
Repayments of borrowings with original maturities of more than three months	(416,515)	(53,736)	(11,705)
Net (payments) proceeds of other short-term borrowings	20,997	18,938	(9,054)
Purchase of common stock	(15,228)	(26,140)	-
Stock option and warrant transactions	6,664	(5,106)	9,655
Dividends paid	(27,190)	(23,711)	(20,125)
Net cash provided (utilized) by financing activities	2,374	(89,755)	(31,229)
Effect of exchange rate changes on cash	3,559	922	294
Increase (decrease) in cash and cash equivalents	24,002	(49,226)	60,301
Cash and cash equivalents at beginning of year	137,028	186,254	125,953
Cash and cash equivalents at end of year	$161,030	137,028	186,254
Supplemental information			
Cash paid during the year for			
Interest	$ 39,050	33,471	31,842
Income taxes	$ 81,179	99,601	107,716

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Thousands of Dollars Except Share Data)

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all significant majority-owned subsidiaries (the Company).

Investments in affiliates representing 20% to 50% ownership interest are accounted for using the equity method. All significant intercompany balances and transactions have been eliminated.

Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

The Company's fiscal year ends on the last Sunday in December. The fiscal year ended December 31, 1995 was a fifty-three week period while the previous two fiscal years were fifty-two week periods.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments purchased with a maturity to the Company of three months or less.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Cost in Excess of Net Assets Acquired and Other Intangibles

The Company continually monitors its cost in excess of net assets acquired (goodwill) and its other intangibles to determine whether any impairment of these assets has occurred. In making such determination, the Company evaluates the cash flow, on an undiscounted basis, of the underlying businesses and or products and product lines which gave rise to such amounts.

Approximately 90% of the Company's goodwill results from the 1984 acquisition of Milton Bradley Company (Milton Bradley), including its Playskool and international units, and the 1991 acquisition of Tonka Corporation (Tonka), including its Kenner, Parker Brothers and international units, and is being amortized on the straight-line method over forty years. The assets acquired in these transactions continue to contribute a significant portion of the Company's net revenues, earnings and cash flow.

Substantially all of the other intangibles consist of the cost of acquired product rights. These rights, which were valued at their acquisition based on the anticipated future cash flows from the underlying product lines, are being amortized over five to twenty-five years using the straight-line method. In establishing the value of such rights, the Company considers, but does not individually value, existing copyrights, trademarks, patents, license agreements and any other product-related rights. Approximately 39% of these intangibles relate to the acquisition of Milton Bradley and Tonka and an additional 55% relates to the Company's acquisitions during 1995 and 1994. (See note 2)

Depreciation and Amortization

Depreciation and amortization are computed using accelerated and straight-line methods to amortize the cost of property, plant and equipment over their estimated useful lives. The principal lives, in years, used in determining depreciation rates of various assets are: land improvements 15 to 19, buildings and improvements 15 to 25 and machinery and equipment 3 to 12.

Tools, dies and molds are amortized over a three year period or their useful lives, whichever is less, using an accelerated method.

Income Taxes

The Company uses the asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes have not been provided on undistributed earnings of international subsidiaries as substantially all of such earnings are indefinitely reinvested by the Company.

Foreign Currency Translation

Foreign currency assets and liabilities are translated into dollars at current rates, and revenues, costs and expenses are translated at average rates during each reporting period. Current earnings include gains or losses resulting from foreign currency transactions other than those relating to intercompany transactions of a long-term investment nature. Those gains and losses, as well as those resulting from translation of financial statements, are shown as a separate component of shareholders' equity.

Pension Plans, Postretirement and Postemployment Benefits

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. The Company's policy is to fund amounts which are required by applicable regulations and which are tax deductible. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense.

The Company has a contributory postretirement health and life insurance plan covering substantially all employees who retire under any of the Company's United States defined benefit pension plans and meet certain age and length of service requirements. It also has several plans covering certain groups of employees which may provide benefits to such employees following their period of employment but prior to their retirement. At the beginning of 1994, the Company adopted Statement of Financial Accounting Standards No. 112, Employers' Accounting for Postemployment Benefits (SFAS 112). SFAS 112 requires that the cost of such benefits be accrued over the employee service period, a change from the Company's prior practice of recording those costs when incurred.

Research and Development

Research and product development costs for 1995, 1994 and 1993 were $148,057, $135,406 and $125,566, respectively.

Advertising

Production costs of commercials and programming are charged to operations in the fiscal year during which the production is first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the fiscal year incurred.

Earnings Per Common Share

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.

(Thousands of Dollars Except Share Data)

The weighted average number of shares outstanding used in the computation of earnings per common share was 88,252,706, 89,330,752 and 90,030,568 in 1995, 1994 and 1993, respectively.

The difference between primary and fully diluted earnings per share was not significant for any year.

(2) Acquisitions and Investments

During February 1995, the Company purchased certain products and other assets from the Larami Group of companies for $88,135. Accounting for this acquisition using the purchase method, the Company allocated the purchase price based on estimates of fair market value which included $9,053 of net tangible assets, $76,100 of product rights and $2,982 of goodwill. The terms of this purchase include a provision for additional payments contingent upon the purchased products achieving certain profit results during any of the Company's fiscal years 1995 through 1999. These contingent payments, if any, would increase goodwill. There were no such payments earned in 1995.

On August 4, 1994, the Company purchased certain game and puzzle assets of Western Publishing Company, Inc. and on November 30, 1994 purchased the Games Division of John Waddington PLC. The total consideration for these purchases was $176,194. Accounting for these acquisitions using the purchase method, the Company allocated the purchase price based on estimates of fair market value which included $28,890 of net tangible assets, $125,872 of product rights and $21,432 of goodwill.

During the third quarter of 1994, the Company liquidated its minority investments in J.W. Spear & Sons PLC and Virgin Interactive Entertainment plc, acquired in 1990 and 1993, respectively.

(3) Inventories

	1995	1994
Finished products	$240,126	181,202
Work in process	22,093	19,342
Raw materials	53,401	43,863
	$315,620	244,407

(4) Property, Plant and Equipment

	1995	1994
Land and improvements	$ 14,845	15,655
Buildings and improvements	207,129	206,523
Machinery and equipment	229,882	209,794
	451,856	431,972
Less accumulated depreciation	187,650	163,358
	264,206	268,614
Tools, dies and molds, net of amortization	49,034	40,265
	$313,240	308,879

Expenditures for maintenance and repairs which do not materially extend the life of the assets are charged to operations.

(5) Short-Term Borrowings

(Thousands of Dollars Except Share Data)

The Company has available unsecured committed and uncommitted lines of credit from various banks approximating $600,000 and $900,000, respectively. Substantially, all of the short-term borrowings outstanding at the end of 1995 and 1994 represent bank borrowings of international units made under these lines of credit. The weighted average interest rates of the outstanding borrowings were 6.2% and 9.6%, respectively. The Company's working capital needs were fulfilled by borrowing under these lines of credit and through the issuance of commercial paper, both of which were on terms and at interest rates generally extended to companies of comparable credit worthiness. Included as part of the committed line is $440,000 available from a revolving credit agreement. This agreement contains certain restrictive covenants with which the Company is in compliance. Compensating balances and facility fees were not material.

(6) Accrued Liabilities

	1995	1994
Royalties	$ 77,752	76,602
Advertising	111,853	119,334
Payroll and management incentives	36,205	30,880
Other	207,757	190,947
	$433,567	417,763

(7) Long-Term Debt

Long-term debt of $149,991 and $150,000 at December 31, 1995 and December 25, 1994, respectively, consists of the Company's 6% Convertible Subordinated Notes Due 1998. These notes are convertible into common stock at a conversion price of $29.33 per share, are redeemable, at a premium, by the Company and interest on them is paid semi-annually.

(8) Income Taxes

Income taxes attributable to earnings before income taxes are:

	1995	1994	1993
Current			
United States	$ 54,979	60,539	81,770
State and local	9,309	10,417	12,541
International	41,840	42,543	28,614
	106,128	113,499	122,925
Deferred			
United States	(5,122)	1,924	315
State and local	(483)	180	149
International	(3,544)	(3,349)	1,817
	(9,149)	(1,245)	2,281
	$ 96,979	112,254	125,206

Certain tax benefits are not reflected in income taxes on the Consolidated Statements of Earnings. Such benefits of $6,532 in 1995, $9,800 in 1994 and $6,299 in 1993, relate primarily to stock options and cumulative translation adjustments.

(Thousands of Dollars Except Share Data)

A reconciliation of the statutory United States federal income tax rate to the Company's effective income tax rate is as follows:

	1995	1994	1993
Statutory income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax effect	2.3	2.4	2.6
Amortization of goodwill	1.9	1.6	1.4
International earnings taxed at rates other than the United States statutory rate	(.3)	(.7)	-
Other, net	(.5)	.2	(.5)
	38.4%	38.5%	38.5%

The components of earnings before income taxes are as follows:

	1995	1994	1993
United States	$151,094	177,672	243,820
International	101,456	113,897	81,390
	$252,550	291,569	325,210

The components of deferred income tax expense arise from various temporary differences and relate to items included in the statements of earnings. During 1993, United States deferred tax assets and liabilities were adjusted for the effect of legislation enacted that year increasing the United States federal tax rate from 34% to 35%. The adjustment decreased the 1993 deferred tax expense by $1,266.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1995 and December 25, 1994 are:

	1995	1994
Deferred tax assets:		
Accounts receivable	$ 28,433	27,782
Inventories	14,671	12,600
Net operating loss carryovers	18,677	16,923
Operating expenses	36,024	33,948
Postretirement benefits	11,834	11,487
Other	39,281	41,223
Total gross deferred tax assets	148,920	143,963
Valuation allowance	(15,869)	(11,829)
Net deferred tax assets	133,051	132,134
Deferred tax liabilities:		
Property rights and property, plant and equipment	59,760	64,743
Other	6,787	7,786
Total gross deferred tax liabilities	66,547	72,529
Net deferred income taxes	$ 66,504	59,605

The Company has a valuation allowance for deferred tax assets at December 31, 1995 of $15,869, which is an increase of $4,040 from the $11,829 at December 25, 1994. This allowance pertains to certain international operating loss carryforwards, some of which have no expiration and others that will expire beginning in 1997. If fully realized, future income tax expense will be reduced by $15,869.

Based on the Company's history of taxable income and the anticipation of sufficient taxable income in years when the temporary differences are expected to become tax deductions, the Company believes that it will realize the benefit of the deferred tax assets, net of the existing valuation allowance. Of the deferred tax assets, approximately 70% are expected to be realized during the next two fiscal years.

Deferred income taxes of $85,849 and $83,730 at the end of 1995 and 1994, respectively, are included as a component of prepaid expenses and other current assets. At the same dates, deferred income taxes of $22,198 and $24,640, respectively, are included as a component of deferred liabilities.

The cumulative amounts of undistributed earnings of the Company's international subsidiaries held for reinvestment amounted to approximately $289,000 at December 31, 1995 and December 25, 1994.

(9) Capital Stock

Preference Share Purchase Rights

The Company maintains a Preference Share Purchase Right plan (the Rights Plan). Under the terms of the Rights Plan, each share of common stock is accompanied by a Preference Share Purchase Right. Each Right is only exercisable under certain circumstances and, until exercisable, the Rights are not transferable apart from the Company's common stock. When exercisable, each Right will entitle its holder to purchase until June 30, 1999, in certain merger or other business combination or recapitalization transactions, at the Right's then current exercise price, a number of the acquiring company's or the Company's, as the case may be, common shares having a market value at that time of twice the Right's exercise price. Under certain circumstances, the rightholder may, at the option of the Board of Directors of the Company (the Board), receive shares of the Company's stock in exchange for Rights.

Prior to the acquisition by the person or group of beneficial ownership of a certain percentage of the Company's common stock, the Rights are redeemable for two-thirds of a cent per Right. The Rights Plan contains certain exceptions with respect to the Hassenfeld family and related entities.

Common Stock

In August 1990, the Board authorized the purchase of up to 4,500,000 shares of the Company's common stock and in June 1994, the Executive Committee of the Board authorized the purchase of up to an additional 5,000,000 shares. At December 31, 1995, a balance of 6,067,700 shares remained under these authorizations.

(10) Employee Stock Options and Warrants

The Company has a Non-Qualified Stock Option Plan, an Incentive Stock Option Plan, a 1992 Stock Incentive Plan, a Stock Incentive Performance Plan (the new plan) adopted in 1995, and a Stock Option Plan for Non-Employee Directors (collectively, the plans).

The Company has reserved 10,793,783 shares of its common stock, including 4,300,000 shares under the new plan, for issuance upon exercise of options granted or to be granted under the plans. These options generally vest in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. No options are exercisable for periods of more than ten years after date of grant. Although certain of the plans permit the granting of awards in the form of stock options, stock appreciation rights, stock awards and cash awards, to date, only stock options have been granted. No awards have been granted under the new plan as of December 31, 1995.

On July 12, 1994, the Company's outstanding warrants expired. The Company elected to pay exercising warrantholders cash rather than issue shares of its stock.

The changes in outstanding options and warrants for the three years ended December 31, 1995 follow:

	Shares (In Thousands)	Exercise Price Per Share
Outstanding at December 27, 1992	5,204	$ 7.58 - $43.49
Granted	2,712	31.62 - 37.44
Exercised	(730)	7.58 - 31.62
Expired and canceled	(63)	10.25 - 38.29
Outstanding at December 26, 1993	7,123	7.58 - 43.49
Granted	1,246	29.56 - 36.58
Exercised	(1,994)	7.58 - 31.88
Expired and canceled	(505)	10.25 - 38.29
Outstanding at December 25, 1994	5,870	7.58 - 43.49
Granted	739	29.31 - 34.99
Exercised	(317)	7.58 - 31.62
Expired and canceled	(374)	10.25 - 42.54
Outstanding at December 31, 1995	5,918	$ 7.58 - $43.49

The number of shares exercisable at the end of 1995, 1994 and 1993 were 3,151,508, 2,176,568 and 2,919,654, respectively. The prices at which these shares may be exercised are those shown for outstanding options and warrants in the preceding table.

(11) Pension, Postretirement and Postemployment Benefits

Pension Benefits

The Company's net pension and profit sharing cost for 1995, 1994 and 1993 was approximately $12,200, $12,500 and $12,900, respectively.

United States Plans

Substantially all United States employees are covered under at least one of several non-contributory defined benefit plans maintained by the Company. Benefits under the major plans, covering non-union employees, are based primarily on salary and years of service. Benefits under other plans are based primarily on fixed amounts for specified years of service.

The net periodic pension cost of these plans included the following components:

	1995	1994	1993
Benefits earned during the year	$ 6,304	7,029	5,630
Interest cost on projected benefits	9,492	8,219	7,243
Actual return on plan assets	(31,154)	(521)	(10,834)
Net amortization and deferral	21,153	(8,429)	3,190
	$ 5,795	6,298	5,229

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The funded status and the amounts recognized in the Company's balance sheets relating to these plans are:

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(Thousands of Dollars Except Share Data)

	1995		1994	
	Plans With Assets Exceeding Accumulated Benefits	Plans With Accumulated Benefits Exceeding Assets	Plans With Assets Exceeding Accumulated Benefits	Plans With Accumulated Benefits Exceeding Assets
Actuarial present value of:				
Vested benefits	$ 98,149	8,303	76,761	4,626
Nonvested benefits	3,162	199	1,403	719
Accumulated benefit obligation	101,311	8,502	78,164	5,345
Effect of assumed increase in compensation level	27,972	5,997	21,937	6,024
Projected benefit obligation	129,283	14,499	100,101	11,369
Net assets available for benefits	137,292	919	108,990	630
Plan assets in excess of (less than) projected benefits	$ 8,009	(13,580)	8,889	(10,739)
Consisting of:				
Unrecognized net asset	$ 1,715	-	2,059	-
Unrecognized prior service cost	(815)	(4,310)	(897)	(4,850)
Unrecognized net gain (loss)	9,407	(1,984)	8,313	(425)
Accrued pension recognized in the balance sheet	(2,298)	(7,286)	(586)	(5,464)
	$ 8,009	(13,580)	8,889	(10,739)

The assets of the funded plans are managed by investment advisors and consist primarily of pooled indexed and actively managed bond and stock funds. The projected benefits have been determined using assumed discount rates of 7.25% for 1995, 8.5% for 1994 and 7.2% for 1993 and, for all years, an assumed long-term rate of compensation increase of 5% and an assumed long-term rate of return on plan assets of 9%.

The Company also has a profit sharing plan covering substantially all of its United States non-union employees. The plan provides for an annual discretionary contribution by the Company which for 1995, 1994 and 1993 was approximately $4,800, $5,100 and $6,100, respectively.

International Plans

Pension coverage for employees of the Company's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans. These plans were neither significant individually nor in the aggregate.

(Thousands of Dollars Except Share Data)

Postretirement Benefits

The Company provides certain postretirement health care and life insurance benefits to eligible United States employees who retire and have either attained age 65 with 5 years of service or age 55 with 10 years of service. The cost of providing these benefits on behalf of employees who retired prior to 1993 is and will continue to be substantially borne by the Company. The cost of providing benefits on behalf of employees who retire after 1992 is shared, with the employee contributing an increasing percentage of the cost, resulting in an employee-paid plan after the year 2002. The plan is not funded.

The accumulated benefit obligation relating to this plan at December 31, 1995 and December 25, 1994 consists of:

	1995	1994
Retired employees	$17,873	16,148
Fully eligible active employees	952	1,267
Other active employees	5,322	7,086
	$24,147	24,501

The net periodic postretirement benefit cost included the following components:

	1995	1994	1993
Benefits earned during the period	$ 267	403	338
Interest cost on projected benefits	1,822	1,709	1,783
	$ 2,089	2,112	2,121

For measuring the expected postretirement benefit obligation, a 9.2%, 9.2% and 10.4% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1995, 1994 and 1993, respectively. These rates were further assumed to decrease gradually to 6%, 6% and 5%, respectively, in 2012 and remain level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.25% in 1995, 8.5% in 1994 and 7.2% in 1993.

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 31, 1995 would have increased by approximately 10% and the aggregate of the benefits earned during the period and the interest cost would have each increased by approximately 11%.

Postemployment Benefits

The Company has several plans covering certain groups of employees which may provide benefits to such employees following their period of active employment but prior to their retirement. These plans include certain severance plans which provide benefits to employees involuntarily terminated and certain plans which continue the Company's health and life insurance contributions for employees who have left the Company's employ under terms of its long-term disability plan.

The Company adopted the provisions of SFAS 112 as of the beginning of 1994. SFAS 112 requires that the cost of certain postemployment benefits be accrued over the employee service period which was a change from the Company's prior practice of recording such benefits when incurred. The effect of initially applying SFAS 112, net of a deferred tax benefit of $2,513, was recorded as the cumulative effect of change in accounting principles.

(Thousands of Dollars Except Share Data)

(12) Leases

The Company occupies certain manufacturing facilities and sales offices and uses certain equipment under various operating lease arrangements. The rent expense under such arrangements, net of sublease income which is not material, for 1995, 1994 and 1993 amounted to $43,486, $39,186 and $37,917, respectively.

Minimum rentals, net of minimum sublease income which is not material, under long-term operating leases for the five years subsequent to 1995 and in the aggregate are as follows:

1996	$ 31,990
1997	23,852
1998	17,085
1999	12,008
2000	10,396
Later years	63,940
	$159,271

All leases expire prior to 2014. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 1995.

In addition, the Company leases certain facilities which, as a result of prior year restructurings, are no longer in use. Future costs relating to such facilities were included as a component of the restructuring charge and thus are not included in the table above.

(13) Nonrecurring Charges

During the second quarter of 1995, the Company discontinued its efforts, begun in 1992, to develop a mass-market virtual reality game system. These efforts produced such a game system, but at a price judged to be too expensive for the mass-market. The impact of this decision was a charge of $31,100 for the estimated costs associated with such action. Approximately half of the charge resulted from the expensing of software development costs, previously capitalized under the provisions of Statement of Financial Accounting Standards No. 86, related to both the operating system and games for the system. The remaining amount represented provisions for costs associated with discontinuance of this project, including the termination of contractual agreements relating to the development of the system and games, the write-off of certain fixed assets and various other cancellation/termination costs. More than 80% of the liabilities established for this action have been paid.

During the fourth quarter of 1993, the Company recorded a restructuring charge of $15,500, primarily related to the closure of its manufacturing facility in The Netherlands and during the third quarter of 1994, it recorded a restructuring charge of $12,500, primarily related to the reorganization of its Domestic Toy Group and the consolidation of its United States manufacturing operations. Substantially all of the liabilities established for these actions, which included provisions for severance payments, outplacement services and the continuation of certain fringe benefits, primarily medical and dental, has been paid.

(Thousands of Dollars Except Share Data)

(14) Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, short- and long-term borrowings, accounts payable, accrued liabilities and foreign currency forward exchange contracts. At December 31, 1995, the carrying value of these instruments approximated their fair value based on current market prices and rates. As estimates of these fair values are subjective and involve uncertainties and judgments, they cannot be determined with precision. Any changes in assumptions would affect these estimates.

The Company's policy is not to enter into derivative financial instruments for speculative purposes. It does enter into certain foreign currency forward exchange contracts to protect itself from adverse currency rate fluctuations on identifiable foreign currency commitments made in the ordinary course of business. These contracts, which relate to future purchases of inventory, are denominated in currencies of major industrial countries and entered into with creditworthy banks for terms of not more than twelve months. The Company does not anticipate any material adverse effect on its results of operations or financial position from these contracts. (See note 15)

(15) Commitments and Contingencies

The Company had unused open letters of credit of approximately $18,000 and $15,000 at December 31, 1995 and December 25, 1994, respectively.

The Company had the equivalent of approximately $42,000 and $80,000 of forward exchange contracts outstanding at December 31, 1995 and December 25, 1994, respectively. These contracts have been entered into to hedge firm commitments for the purchase of products, principally from the Far East. Gains and losses deferred under hedge accounting provisions are subsequently included in the measurement of the related foreign currency transaction. The aggregate amount of gains and losses resulting from foreign currency transactions was not material.

The Company is involved in various claims and legal actions substantially arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's future results of operations or liquidity.

(16) Segment Reporting

Industry and Geographic Information

The Company operates primarily in one industry segment which includes the development, manufacture and marketing of toy products and related items and the licensing of certain related properties.

As the Company operates internationally, it is exposed to the risk of changes in social, political and economic conditions inherent in such operations.

Information about the Company's operations in different geographic areas, determined by the location of the subsidiary or unit, for each of the fiscal years in the three-year period ended December 1995 follows. The Company's primary operations in areas outside of the United States include Western Europe, Canada, Mexico, Australia and New Zealand and Hong Kong. As the international areas have similar business environments and the Company's operations in those areas are similar, they are presented as one category.

	1995	1994	1993
Net revenues:			
United States	$1,578,058	1,530,928	1,670,272
International	1,280,152	1,139,334	1,076,904
	$2,858,210	2,670,262	2,747,176

(Thousands of Dollars Except Share Data)

Operating profit:			
United States	$ 146,841	169,782	242,038
International	126,731	125,895	109,150
	$ 273,572	295,677	351,188
Identifiable assets:			
United States	$1,782,276	1,612,982	1,540,887
International	834,112	765,393	752,131
	$2,616,388	2,378,375	2,293,018

Other Information

The Company markets its products primarily to customers in the retail sector. Although the Company closely monitors the credit worthiness of its customers, adjusting credit policies and limits as deemed appropriate, a substantial portion of its customers' ability to discharge amounts owed is dependent upon the retail economic environment.

Sales to the Company's two largest customers, Toys R Us, Inc. and Wal-Mart Stores, Inc., amounted to 21% and 12%, respectively, of consolidated net revenues during each of 1995 and 1994 and 20% and 11%, respectively, in 1993.

The Company purchases certain components and accessories used in its manufacturing process and certain finished products from manufacturers in the Far East. The Company's reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary. However, if the Company were prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor and other factors beyond its control, the Company's operations would be disrupted while alternative sources of product were secured.

(17) Quarterly Financial Data (Unaudited)

	Quarter				
1995	First	Second	Third	Fourth	Full Year
Net revenues	$526,503	481,854	826,165	1,023,688	2,858,210
Gross profit	$293,931	267,769	465,313	594,000	1,621,013
Earnings (loss) before income taxes	$ 35,257	(24,217)(a)	103,370	138,140	252,550
Net earnings (loss)	$ 21,683	(14,893)	63,572	85,209	155,571
Per common share					
Earnings (loss)	$ .25	(.17)	.72	.97	1.76
Market price					
High	$ 33 7/8	35 1/4	33 1/2	32 5/8	35 1/4
Low	$ 28 3/8	31 3/8	29 3/4	28 1/2	28 3/8
Cash dividends declared	$ .08	.08	.08	.08	.32

1994	Quarter First	Second	Third	Fourth	Full Year
Net revenues	$489,133	444,324	796,222	940,583	2,670,262
Gross profit	$280,933	241,146	444,093	542,611	1,508,783
Earnings before income taxes and cumulative effect of change in accounting principles	$ 43,443	2,657	122,196(a)	123,273	291,569
Net earnings	$ 22,435	1,634	75,151	75,813	175,033
Per common share					
Earnings before cumulative effect of change in accounting principles	$ .30	.02	.85	.86	2.01
Earnings	$ .25	.02	.85	.86	1.96
Market price					
High	$ 36 5/8	36 1/8	32 1/8	33 1/2	36 5/8
Low	$ 33 3/8	28 1/8	28 1/8	27 7/8	27 7/8
Cash dividends declared	$ .07	.07	.07	.07	.28

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(Thousands of Dollars Except Share Data)

1993	Quarter First	Second	Third	Fourth	Full Year
Net revenues	$487,036	515,551	812,393	932,196	2,747,176
Gross profit	$279,015	294,031	461,329	530,234	1,564,609
Earnings before income taxes	$ 42,871	43,791	122,865	115,683(a)	325,210
Net earnings	$ 26,580	27,150	75,548	70,726	200,004
Per common share					
Earnings	$ .30	.30	.84	.78	2.22
Market price					
High	$ 34 7/8	38 3/8	39 5/8	40 1/8	40 1/8
Low	$ 28 1/8	29 7/8	34	35 1/8	28 1/8
Cash dividends declared	$ .06	.06	.06	.06	.24

(a) Includes the effect of nonrecurring charges in 1995 of $31,100 relating to a discontinued development project and in 1994 and 1993, $12,500 and $15,500, respectively, relating to restructuring of operations. (See note 13)

EXHIBIT 22

HASBRO, INC. AND SUBSIDIARIES

Subsidiaries of the Registrant (a)

Name Under Which Subsidiary Does Business	State or Other Jurisdiction of Incorporation or Organization
Claster Television, Inc.	Maryland
Hasbro Interactive, Inc.	Delaware
Hasbro International, Inc.	Delaware
Hasbro Asia-Pacific Marketing Ltd.	Hong Kong
Hasbro Australia Limited	Australia
Hasbro Canada, Inc.	Canada
Hasbro de Mexico S.A. de C.V.	Mexico
Hasbro Deutschland GmbH	Germany
Hasbro Far East LTD	Hong Kong
Hasbro Italy S.r.l.	Italy
Hasbro Japan Limited	Japan
Hasbro New Zealand Limited	New Zealand
Hasbro Osterreich Ges.m.b.H	Austria
Hasbro Schweiz AG	Switzerland
Hasbro U.K. Limited	United Kingdom
HMS Juquetes S.A. de C.V.	Mexico
Juguetrenes S.A. de C.V.	Mexico
K'NEX France S.N.C.	France
K'NEX G.m.b.H.	Germany
K'NEX International U.K.	United Kingdom
MB France S.A.	France
MB International B.V.	The Netherlands
Hasbro B.V.	The Netherlands
Hasbro Hellas S.A.	Greece
Hasbro Importacao e Exportacao e de Jogos e Brinquedos Lds	Portugal
Hasbro Israel Ltd.	Israel
Hasbro Magyarorszag Kft	Hungary
Hasbro Poland SpZoo	Poland
Hasbro Scandinavia AS	Denmark
MB Espana, S.A.	Spain
S.A. Hasbro N.V.	Belgium
MB Ireland Limited	Ireland
Palmyra Holdings Pte Ltd.	Singapore
Hasbro Hong Kong Limited	Hong Kong
Hasbro Singapore Pte Ltd.	Singapore
Hasbro Toy (Malaysia) Sdn Bhd	Malaysia
Hasbro Managerial Services, Inc.	Rhode Island
Larami Limited	Delaware

(a) Inactive subsidiaries and subsidiaries with minimal operations have been omitted. Such subsidiaries, if taken as a whole, would not constitute a significant subsidiary.

EXHIBIT 24(a)

ACCOUNTANTS' CONSENT

The Board of Directors
Hasbro, Inc.:

We consent to incorporation by reference in the Registration Statements Nos. 2-78018, 2-93483, 33-57344 and 33-59583 on Form S-8 and No. 33-41548 on Form S-3 of Hasbro, Inc. of our reports dated February 7, 1996 relating to the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 1995 and December 25, 1994 and the related consolidated statements of earnings, shareholders' equity and cash flows and related schedule for each of the fiscal years in the three-year period ended December 31, 1995, which report on the consolidated financial statements is incorporated by reference and which report on the related schedule is included in the Annual Report on Form 10-K of Hasbro, Inc. for the fiscal year ended December 31, 1995.

/s/ KPMG Peat Marwick LLP

Providence, Rhode Island

March 28, 1996

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YEAR
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DEC-31-1995
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839,911
48,800
315,620
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500,890
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149,991
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44,043
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2,616,388
2,858,210
2,858,210
1,237,197
1,237,197
792,161
5,860
37,588
252,550
96,979
155,571
0
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155,571
1.76
0