Hasbro Fourth Quarter and Full-Year 2011
Financial Results Conference Call Management Remarks
February 6, 2012

Debbie Hancock, Hasbro, Vice President, Investor Relations:

Thank you and good morning everyone.

Joining me today are Brian Goldner, President and Chief Executive Officer; David Hargreaves, Chief Operating Officer; and Deb Thomas, Chief Financial Officer.

Our fourth quarter and full-year 2011 earnings release was issued earlier this morning and is available on our website. The press release includes information regarding Non-GAAP financial measures included in today's call. Additionally, whenever we discuss earnings per share or EPS, we are referring to earnings per diluted share.

This morning Brian will discuss key factors impacting our results and Deb will review the financials. We will then open the call to your questions.

Before we begin, let me note that during this call and the question and answer session that follows, members of Hasbro management may make forward-looking statements concerning management's expectations, goals, objectives and similar matters. These forward-looking statements may include comments concerning our product and entertainment plans, anticipated product performance, business opportunities and strategies, costs, financial goals and expectations for our future financial performance and achieving our objectives.

There are many factors that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in these forward-looking statements.

Some of those factors are set forth in our annual report on form 10-K, in today's press release and in our other public disclosures.

We undertake no obligation to update any forward looking statements made today to reflect events or circumstances occurring after the date of this call.

Now, I would like to introduce Brian Goldner.

Brian Goldner, Hasbro President and CEO:

Thank you, Debbie.

Good morning everyone and thank you for joining us today.

In 2011, we continued to develop and execute our branded-play strategy. We invested in growing our capabilities to deliver innovation globally across our brands and our business. We invested in creating new teams to deploy our brands around the world, and in new immersive experiences through entertainment, digital media and licensing.

While these investments enabled us to deliver very strong growth in our International business during 2011 and overall solid revenue growth for the fourth quarter and full year, we did not meet our expectations for growth in the U.S. and Canada, including in the Games and Puzzles business. When we look to our success in both mature and emerging markets internationally, we know - and you can see - that our innovation, marketing and brands are very successful. It is clear we can do better in the U.S. and Canada. In both this business and in gaming, we have taken steps to deliver more innovation and growth through the direction of new leadership and the implementation of new plans.

I will speak to this more in detail shortly, but let's first review a number of successes from 2011:

- Revenue grew 7%, reaching $4.29 billion for the year, ahead of our 5% compound annual growth rate target for revenue.

- As a result of our expanded global footprint, marketing and brand innovation, the International segment grew 19%, or 16% without the benefit of the positive foreign exchange impact.

  - Revenue grew in every major territory internationally, in both mature and emerging markets, and we gained share in 9 of the 10 countries for which we have third-party data.

  - As we indicated and planned, we are growing in Latin America, posting 19% growth during 2011, and in Asia Pacific, where we continued to have strong growth, up 24% in 2011, as we establish our presence in emerging markets and grow our business in mature markets.

  - In 2011, Hasbro was the fastest growing major toy company in Western Europe. We gained 1.4 percentage points in market share and have achieved market share leadership in 3 European countries.

- Through the successful implementation of our branded-play strategy, which at the core focuses on the innovation and invention of Hasbro brands worldwide, we are building bigger and more global brands. In 2011 several brands were more than $400 million of annual revenues, including:

- TRANSFORMERS, which posted $483 million in revenues growing more than 85% year-over-year;

- BEYBLADE delivered $477 million in revenues on strong growth in the U.S. and International markets; and

- NERF, which has grown fourfold over the past 5 years, was $410 million in revenue in 2011, essentially flat with 2010 and driven by strong growth overseas. The NERF team continues to deliver great innovation for the brand and we have two major new initiatives planned for 2012.

- In addition to innovation within our core brands, we are inventing new global brands. In 2011 we successfully launched key initiatives including KRE-O and SESAME STREET.
  - Beginning in July 2011, KRE-O launched in 10 markets globally, generating tens of millions of dollars in revenues and good early market share. In 2012, we will add 15 new markets by year end as well as expand the line to include BATTLESHIP, supported by our major motion picture with Universal.
  - 2011 was also our first year with SESAME STREET and marked a great first step toward building a year-round global brand. To do this we are creating play experiences around a number of SESAME STREET characters, which engage

children and help them to learn. We are very excited about the potential of this brand over the coming years.

- Hasbro's inventory levels at year end are down 8%. In the U.S., retail inventory was essentially flat and of better overall quality than last year. Given the growth in our business internationally, retail inventories grew in many countries but we are comfortable with the quality and level of inventory;

- In 2011, we also funded important investments which expanded our global capabilities in sales, marketing, licensing, entertainment and infrastructure; and

- Finally, we grew EPS for the eleventh consecutive year while returning $577 million to shareholders through our stock buyback and quarterly dividend programs. Last week, the Board voted to increase our quarterly dividend 20% to $0.36 per share, marking the third year in a row we have grown our dividend 20% or more.

In total, there were a number of things that worked well for Hasbro in 2011. However, despite these significant accomplishments, the year did not meet our performance expectations. Our U.S. and Canada segment declined 2 percent, weakening most notably post-Thanksgiving when the positive point of sale trends we had seen earlier in the quarter did not continue. This decline was in line with the industry decline in the U.S., reflecting a challenging economic environment, but was not up to our expectations. As a result we made some strategic moves in the leadership of our business.

Wiebe Tinga, who many of you heard from at our Investor Day in November, has taken over as President of the U.S. and Canada business. He is a 24 year veteran of Hasbro, most recently serving as President of Asia Pacific and Latin America and has been instrumental in the company's expansion in key emerging markets. In this role, Wiebe has built a strong team both in Asia Pacific and Latin America, and the heads of these regions are now reporting directly to David Hargreaves, Hasbro's COO.

Wiebe brings a tremendous track record of strong performance and I am delighted to have someone with his experience, passion and financial discipline to step in and lead our U.S. and Canada teams. He and the team are focused on returning the business to historical levels of profitability and rebuilding our share in the region, by capitalizing on the strength of Hasbro innovation, marketing and brands as he has done successfully around the world.

Additionally, our Games and Puzzles category performance in 2011 was disappointing, contributing to the weakness in the U.S. We have already outlined for you a multi-year plan that is designed to drive innovation and excellence in gaming, stabilizing this business in 2012 and delivering growth in 2013 and beyond. We have a new team, with a lot of talent from outside the traditional board game arena. We have invested in this team, establishing the new Gaming Center of Excellence, and they are innovating, creating new technologies and inventing new brands. We continue to believe that through a combination of face-to-face, off-the-board and digital gaming, there is an opportunity to grow our gaming business. We have a good foundation upon which to build, as Hasbro had 8 of the top 10 game brands in the U.S last year.

At Toy Fair, we will unveil a number of new gaming initiatives which we are excited about and set the stage for the types of innovation we seek to bring to the market go forward.

Before I move on from gaming, let me speak to the continued success of MAGIC: THE GATHERING. The team at Wizards of the Coast has done a tremendous job of taking this brand, which totaled less than $100 million in revenues in 2008 and was on the decline, to where it is today - the largest brand in our Games and Puzzles category, the largest game brand in the U.S. and more than double the size it was just 3 years ago. It proves that with new leadership, strong consumer insights, innovative game play, and the integration of face-to-face and digital play, gaming brands can thrive.   We need to do more of this. In 2012, the team at Wizards of the Coast will unveil a completely new brand initiative – which you will learn more about at Toy Fair.

Looking at the rest of our business in 2011, our Boys category had a tremendous year, growing 35%, on the strength of Transformers and

BEYBLADE, as well as the launch of KRE-O, significant sales of NERF, and growth in SUPERSOAKER.

TRANSFORMERS revenue grew more than 85% year-over-year and came in at the low end of our targeted revenue range for the brand. As the fourth highest grossing film of all time, *Transformers: Dark of the Moon* was extremely successful at the global box office and we recently began airing *Transformers Prime* television animation around the world. In 2012, we have the benefit of global television programming, an innovative line with new characters and play patterns, and several new digital gaming introductions behind the TRANSFORMERS brand.

BEYBLADE exceeded our expectations and was an incredible success globally. When we began work on BEYBLADE with our partners Nelvana, d-rights and TakaraTomy, we set out to manage it as a long-term battling brand with continuous innovation beyond the core tops. We are entering the next phase of that strategy this year. In Fall 2012, we are introducing an all-new play pattern, supported by Nelvana's television entertainment and digital play, called BEYWHEELZ. In addition, we have other new innovation in the line for 2012 which we will unveil at Toy Fair that will help continue the momentum in the brand.

In 2012, we believe in our Marvel opportunity, with Marvel and Sony's re-invention of *The Amazing Spider-Man* as well as Marvel Studios'

The Avengers. We are also looking forward to the new *Ultimate Spider-Man* animation and continuing *Avengers: Earth's Mightiest Heroes* animation.

These films and television series help make up a tremendous entertainment slate we are supporting in 2012 which also includes *Star Wars The Phantom Menace* in 3D which hits theatres this Friday; *Battleship* with Universal and *G.I. Joe: Retaliation* with Paramount. As well as global television programming behind TRANSFORMERS, continued television animation and innovation in BEYBLADE.

Now turning to our Girls category, although overall the category did not grow in 2011, MY LITTLE PONY, through a coordinated entertainment, merchandise and retail program, as well as BABY ALIVE, which is growing in the U.S. and internationally, both posted year-over-year gains. FURREAL FRIENDS, after doubling revenues in 2010, remained essentially flat in 2011. This brand is a great success story. Created just 10 years ago, it is now a very significant Girls brand for Hasbro. In 2012, FURREAL FRIENDS brings new play with the all new DIZZY DANCERS line and an exciting new feature pet for the holidays.

In Fall 2012, LITTLEST PET SHOP will get a new look and its own Hasbro Studios television series set to air in the U.S. on The Hub. Similar to how we are successfully re-igniting MY LITTLE PONY, LITTLEST PET SHOP television will tell stories which engage the

LITTLEST PET SHOP consumer and carry through our merchandise and retail presence.

Finally, our Preschool category grew 4% in 2011, supported by the successful introduction of SESAME STREET and innovation in core PLAYSKOOL.

As I mentioned earlier, 2011 marked the first year we had product on shelf in our 10 year alliance with the Sesame Workshop. We are delighted to be working together and last year was the beginning of building a year round global brand for SESAME STREET. We are off to a good start, and in 2011, SESAME STREET was the #1 Dollar Growth property within the plush category.

Within Preschool, we also successfully introduced the all new PLAYSKOOL HEROES line based on TRANSFORMERS, STAR WARS and MARVEL. In 2012, this line will benefit from theatrical releases for STAR WARS and Marvel properties. Additionally, TRANSFORMERS RESCUEBOTS television programming will premiere on THE HUB on February 18. We are also excited that Marvel's *Super Hero Squad* programming began airing on THE HUB on January 30. In conjunction with this, Marvel is expanding its licensing business behind *Super Hero Squad*, which Hasbro will support with an expanded line of product.

Turning to Hasbro television, our global initiatives are making real progress with Hasbro Studios programming now airing globally in over 140 countries this year.

In the U.S., we are one year into the launch of the all new HUB television network and the ratings trends continue to be positive. The fourth quarter is the first quarter we have year-over-year comparisons for THE HUB, and during the quarter THE HUB posted 31% gains in total day against kids 2 to 11. The network posted growth throughout 2011 and Hasbro Studios series accounted for 5 of the top 10 series for the year.

In respect to our movie deals, STRETCH ARMSTRONG is scheduled for release on April 11, 2014 and we are partnering with Relativity to bring this film to global audiences. I've described to you before the value of re-inventing a brand like STRETCH ARMSTRONG. Remember, we have not actively marketed STRETCH ARMSTRONG for nearly 20 years. While it is a vault brand, the re-invention and re-imagination of this brand will deliver incremental revenues and profits as we activate the entire brand blueprint globally in 2014 and beyond.

With CANDY LAND we are pleased to expand our relationship with Sony. We are also looking forward to be working with Adam Sandler and his production company Happy Madison for the first time. The creative talent on board for CANDY LAND is amazing and we are excited to see the world of CANDY LAND come alive for kids and families everywhere.

In 2012, we have two films based on Hasbro brands. First, in partnership with Universal, *Battleship* will debut on the big screen in April internationally and in May domestically; and together with Paramount, the second G.I. JOE film, *G.I. Joe: Retaliation*, will hit theatres in June.

We are now working with four major studio partners, Sony, Relativity, Universal and Paramount, which provides us access to amazing talent and tremendous resources.

As we look ahead to this year, we believe, absent the impact of foreign exchange, we can again grow revenues and earnings per share in 2012.

Our focus is on the core tenants of our branded-play strategy. This is centered on creating the most innovative play experiences in the industry; inventing new brands; keeping momentum in our international businesses while delivering new immersive brand experiences for our consumers.

Our plan includes a return to historical profitability levels in the U.S. and Canada business and a drive for growth, while creating innovative gaming experiences globally through newly created and re-invented

Hasbro brands. I believe we have the right teams in place to make this happen.

We have invested in the infrastructure to move from global aspirations to global execution and are positioned to capitalize on the innovation in our line all around the world.

Our branded-play strategy is working, even as there are areas of improvement we need to make in our execution. We look forward to speaking with you later this week at our investor event at Toy Fair in NY where we will update you on our business and provide visibility to a number of new and exciting Hasbro brand initiatives. We hope you are able to join us.

Now, I would like to turn the call over to Deb.

Deb Thomas, Hasbro CFO

Thank you Brian, and good morning.

As Brian spoke to, 2011 was a good year for Hasbro, albeit with areas to improve. We grew our business, invested in long-term growth opportunities and returned $577 million in cash to you - our shareholders through dividends and share repurchases.

We grew revenues, operating profit and earnings per share, including strong international growth. However, the results of our U.S. and Canada segment did not meet our expectations, and this impacted our performance for the full year. As Brian mentioned, we have put new leadership in place to drive growth and improved profitability in this segment go forward.

We are also keenly focused on managing our worldwide costs and improving the leverage of our expenses, while continuing to unlock the potential of our brands globally.

For the full-year 2011, net revenues grew 7% to $4.29 billion from $4.0 billion in 2010. Foreign exchange had a $64.3 million favorable impact on net revenues for the year. Excluding the impact of foreign exchange, net revenues grew 5.5%. While not as high a percentage growth as we had planned for, revenues were a record for our Company.

Looking at our full-year 2011 results by segment:

The U.S. and Canada segment net revenues were $2.25 billion, down 2% versus $2.30 billion last year. Growth in the Boys and Preschool categories was offset by declines in the Girls and Games and Puzzles categories.

The U.S. and Canada segment reported an operating profit of $278.4 million or 12.4% of revenues for the full-year 2011. This compares to $349.6 million or 15.2% of revenues in 2010. The decline in operating profit margin is primarily the result of lower revenues in the year, product mix, and the impact from the sale of closeout inventory.

In the International segment net revenues for the full-year 2011 increased 19% to $1.86 billion versus $1.56 billion in 2010. Absent a positive foreign exchange impact of $59.3 million dollars, net revenues in the International segment grew 16%. The results in this segment reflect growth in all major geographic regions, including mature and emerging markets in Europe, Latin America and Mexico as well as Asia Pacific.

Growth in the Boys category more than offset declines in the Games and Puzzles, Girls and Preschool categories. The Boys category benefited from strong growth in TRANSFORMERS, BEYBLADE, NERF, SUPERSOAKER and the introduction of KRE-O. Games & Puzzles declined, but much less than in the U.S. MAGIC: THE

GATHERING and the GAME OF LIFE were among the games brands which grew in 2011 internationally. In Girls, FURREAL FRIENDS and BABY ALIVE grew in the year, but LITTLEST PET SHOP declined. Finally, the Preschool category was down slightly. PLAY-DOH continued to grow and SESAME STREET contributed to year-over-year gains, but not at the level it did in the U.S.

Operating profit in the International segment grew 29% to $270.6 million, or 14.5% of revenues, compared to $209.7 million, or 13.4% of revenues, in 2010. While we made higher levels of investment in building our global teams and capabilities during the year, the strong performance of the segment in 2011 more than offset those investments and we delivered operating profit growth in all major regions. Consistent with our comments during the year, the full-year International Segment operating profit improved on these higher revenues and increased leverage on our investments.

The Entertainment and Licensing segment full-year net revenues increased 19% to $162.2 million compared to $136.5 million in 2010. Revenue growth in the Entertainment and Licensing segment reflects the sale of television programming globally, as well as movie and licensing revenue from *Transformers: Dark of the Moon*.

For the full-year 2011, the Entertainment and Licensing segment reported an operating profit of $42.8 million compared to $43.2 million in 2010. The impact of the higher revenues in 2011 was offset by investments we made in growing our global licensing teams and strengthening the capabilities of the U.S. based team.

Now let’s look at earnings:

For the full year 2011, we reported net earnings of $385.4 million dollars or $2.82 per diluted share compared to $397.8 million dollars or $2.74 per diluted share a year ago.

2011 earnings per diluted share of $2.82 includes the impact of a $20.5 million favorable tax adjustment, or $0.15 per diluted share, and pre-tax expense of $14.4 million, or $0.07 per diluted share, related to costs associated with establishing Hasbro’s Gaming Center of Excellence in Rhode Island, both of which were announced in the second quarter 2011. 2010 earnings per diluted share also included a $0.15 favorable tax adjustment. Absent these factors, 2011 earnings per share increased 5.8% or $0.15 to $2.74 versus $2.59 in 2010.

For the year, average diluted shares were 136.7 million compared to 145.7 million last year.

Cost of sales for the year was $1.84 billion or 42.8% of revenues, versus $1.69 billion or 42.2% of revenues, in 2010. This resulted in a gross margin of 57.2% of revenues, which is below our stated target of 58%. The difference versus our expectation is attributable to the weakness in the U.S. and Canada during the fourth quarter; however, the year-over-year decline in gross margin is tied to several factors. These include a negative impact from product mix, including a decline in the Games and Puzzles category for 2011; sales of closeout inventory; and higher manufacturing variances due to slower games production during the year. Partially offsetting these factors were higher revenues from MAGIC: THE GATHERING as well as the higher-margin Entertainment and Licensing segment.

Operating profit for the year was $594.0 million dollars or 13.9% of revenues, versus $587.9 million or 14.7% in 2010. This includes $14.4 million related to costs associated with establishing our Gaming Center of Excellence. Excluding these costs, operating profit was 14.2% of revenues.

As we've communicated to you throughout the year, 2011 included important investments in people, offices, and infrastructure to advance Hasbro's global capabilities, much of which is in our SD&A expense. For the full year, SD&A increased $40.9 million to $822.1 million, representing 19.2% of revenues, versus $781.2 million or 19.5% of revenues in 2010. This includes $7.6 million of costs related to establishing the Gaming Center of Excellence.

Despite the significant investments we made in 2011, our full-year SD&A expense did not increase as much as we had originally anticipated. The lower than expected SD&A increase is primarily the result of lower stock compensation and bonuses due to the underperformance of the company versus our financial performance targets, combined with a proactive effort to reduce planned expenses.

As Brian mentioned, our global Hasbro teams are focused on innovation and our investments in product development fuel these efforts. In 2011, product development expense totaled $197.6 million or 4.6% of revenues and included $6.7 million in costs related to establishing Hasbro's Gaming Center of Excellence. Product development in 2011 was lower than 2010 as we leveraged our spending on bigger, more global brands.

Advertising expense for the full-year 2011 was 9.7% of revenue compared to 10.5% in 2010. The lower level of spending was primarily due to the higher mix of entertainment-backed products, including TRANSFORMERS and BEYBLADE. Additionally, with its revenue growth, we also saw improved leverage on our advertising to sales ratio in international markets.

This richer mix of entertainment-backed revenues drove royalties higher both in dollars and as a percentage of revenues. For the full-year 2011, royalties increased $90.6 million to $339.2 million and represented 7.9% of revenues versus 6.2% in 2010.

In 2011 we had a full year of television program production cost amortization versus 2010 when we only had expense in the third and fourth quarters. For the full-year 2011, program production cost amortization of $35.8 million was in line with our stated expected range for the year. This compared to $22.1 million in 2010.

Moving below operating profit:

Other expense, net, for the year totaled $18.6 million compared to other income, net, of $2.0 million in 2010. The year-over-year change was primarily the result of foreign currency losses versus gains in 2010 as well as investment losses which were marked to market. Also, as we mentioned last quarter, in 2010 we had a gain of $4.9 million recognized from the sale of intellectual property.

Our 50% share of THE HUB is also included on this line on the P&L. For 2011, our share of the earnings in THE HUB was a loss of $7.3 million compared to a loss of $9.3 million in 2010. THE HUB was EBITDA positive in 2011.

Our underlying tax rate in 2011 was 26.2% compared to an underlying tax rate of 25.4% in 2010. Over the past few years, our profits internationally have grown, lowering our underlying tax rate. In fact, in 2009, our underlying tax rate was 29%.

Now let's turn to the balance sheet:

At year end, cash totaled $641.7 million compared to $727.8 million a year ago. Operating cash flow for the past twelve months was $396.1 million and includes $81.0 million in television programming costs over the period. Almost all of our year-end cash balance is held outside of the U.S.

During 2011, we repurchased a total of 10.5 million shares of common stock at a total cost of $423.0 million and at an average price of $40.42 per share. At year end, $227.3 million remained available under our current share repurchase authorization.

Last week, our Board voted to increase our quarterly dividend 20% to $0.36 per share from the previous quarterly dividend of $0.30 per share. This was our third consecutive year of a 20% or greater dividend increase and since 2005 our quarterly dividend has increased fourfold. During that time frame, consistent with our stated objective to return cash to shareholders, we also repurchased 87.1 million shares of common stock at a total cost of $2.6 billion.

The quality of our receivables portfolio remains good and receivables at quarter end were $1.0 billion compared to $961.3 million last year. This reflects both the growth and timing of revenues in the fourth quarter.

DSO's were 70 days, up 2 days versus last year.

Inventories at $334.0 million were down from $364.2 million a year ago in line with our efforts to lower our inventory levels from 2010. Inventory in the U.S. and Canada segment was down year-over-year and despite strong growth internationally, on a year-over-year basis, our International segment inventories were essentially flat.

Depreciation and capital expenditures for the year were $113.8 million and $99.4 million, respectively.

Our branded-play strategy is working and we are still in the early stages of unlocking the full global potential of our brands. As Brian stated, absent the impact of foreign exchange, we believe we will again grow revenues and earnings per share in 2012. This continued execution of our strategy keeps us on track to deliver a compound annual revenue growth rate of 5% or better over time. Additionally, beyond 2012, we expect operating profit to grow faster than revenues. In 2012, we expect only modest operating profit growth as we rebuild our U.S. and Gaming businesses. Finally, we continue to target operating cash flow generation in the amount of $500 million on average.

Our financial stability and continued strong cash generation has enabled us to execute our strategy, including investing in our brands and our people, while maintaining our commitment to return cash to you, our shareholders.

Now, Brian, David and I are happy to take your questions.