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 29, 1996 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. [ ]

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 21, 1997 was $3,256,098,356.

The number of shares of Common Stock outstanding as of March 21, 1997 was 128,553,801.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive proxy statement for its 1997 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 29, 1996, 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.

During 1996, the Company began to take steps to become more brands driven and globally focused. The new focus is designed to allow the development of brands globally, which will provide greater coordination of key brands from a world-wide perspective, while still recognizing regional differences. It also will allow for the development of a blueprint for the global coordination of production and sourcing requirements.

During 1997 the Company will continue to operate through its three primary units, Games, Toys and International while at the same time determining additional steps necessary to implement this focus and have a new organizational structure in place and operational in 1998.

(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(R), Tonka(R) and Kenner(R) 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), Soft Walkin' Wheels(R), the Steady Steps(R) line of walkers and other infant accessories such as bibs, training cups and feeding items, soft toys and rattles. New products in 1997 include Snuzzles(TM) stuffed animals, blanket and bedtime book as well as Busy Shake, Rattle 'n Roll(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(R), Magic Tea Party(R) and the Playskool(R) Playstore; sports toys such as 1-2-3 Baseball(TM) and My First In-Line Skates(TM), and woodboard puzzles utilizing various licensed and proprietary characters. New items for 1997 include Huff'n Puff Vacuum(TM), an expanded line of Magic Touch(TM) Talking Books and a line of products based on the new television series, Arthur(TM).

The Hasbro Toy Group also offers activity items for both girls and boys including Wonder World(TM) and the Fantastic Sticker Factory(TM) as well as such classic lines as Play-Doh(R), Easy-Bake(R) Oven and the Spirograph(R) design toy. New offerings for 1997 include Nerf(R) Orf(TM), a lightweight compound which can be molded and also bounces, several products which can be used to make colorful paper creations, and Fantastic Cel Painter(TM).

Its girls' items include the Raggedy Ann(R) and Raggedy Andy(R) line of rag dolls along with a large doll line which includes the Baby Go Bye Bye(TM), Juice 'n Cookies Baby Alive(R) and Baby All Gone(R). Included in its new introductions for 1997 are Baby Did It(TM) and Newborn Baby Check-Up(R) large dolls, several fashion dolls and accessories based on Sabrina, the Teenage Witch(TM) and Crystal's Secrets(TM) playsets.

In boys' toys it offers a wide range of products, many of which are tied to entertainment properties, including Star Wars(R), and Batman(R) action figures and accessories. It also offers such classic properties as G.I. Joe(R), Starting Line-Up(R), The Transformers(R), the Tonka(R) line of trucks and vehicles, including the XRC(R) radio-controlled vehicles, the Nerf(R) line of soft action play equipment and the Larami(R) Super Soaker(TM) line of water products. New introductions for 1997 include action figures and accessories tied to the re-release of the Star Wars trilogy and the new Batman and Jurassic Park(R) movies, several collectible figurines of NASCAR drivers, as part of Starting Lineup, a Winner's Circle(TM) line of die cast vehicle assortments, including stock cars and dragsters, MicroVerse(TM), a series of miniature playsets, and several Classic Tonka Edition vehicles, celebrating the 50th anniversary of Tonka trucks.

(ii) Hasbro Games Group

The Hasbro Games Group develops and markets games and puzzles under the Milton Bradley(R) and Parker Brothers(R) brands. Milton Bradley maintains a line of board, strategy and word games, skill and action games and travel games with 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(R), a series of three dimensional jigsaw puzzles. Items added to the Milton Bradley line for 1997 include Chicken Croquet(TM), Planet Hollywood(TM), The Game and a series of 3-D Sculpture Puzzles(TM).

The Parker Brothers brand 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), games for adults such as Outburst(R) and Catch Phrase(R), a line of Playskool(R) Games for children, including Kanga-Banga Roo(TM) and Mr. Potato Head Pals(TM), as well as a line of puzzles. New to the Parker Brothers' line in 1997 are the Pooh Musical Hide 'N Seek Game, a Star Wars Limited Collectors Edition of Monopoly(R), a hand-held electronic version of Sorry! and a series of children's and adult puzzles using photographs and illustrations licensed from the National Geographic Society(TM).

(iii) Hasbro Interactive

During 1995, Parker Brothers developed and marketed a CD-ROM version of Monopoly(R), allowing interactive gameplay on a computer as well as through the Internet. In 1996, this product was transferred to a newly formed subsidiary, Hasbro Interactive, Inc. which also developed and marketed, both within the United States and internationally, additional interactive CD-ROM games during 1996, including Risk, Battleship and, for younger children, Tonka Construction(TM). During 1997, it plans to introduce additional interactive products including Sorry!, Outburst and several existing titles in a format to allow play on the Sony(R) Playstation(TM). Hasbro Interactive also recently announced an agreement in principle with Microsoft Corporation under which many of its game players using Hasbro Interactive CD-ROM products will be able to participate in multi-player games free of charge via the Microsoft(R) Internet Gaming Zone.

(iv) International

The Company conducts its international operations through subsidiaries in more than 25 countries which sell a representative range of the global brands and 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 also 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 certain 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 March 2, 1997 and March 3, 1996 were approximately $215,000,000 and $170,000,000, respectively. 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 1997 are not substantially different from those employed in 1996.

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 $1,340,000,000 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 1996, 1995 and 1994, approximately $152,487,000, $148,057,000 and $135,406,000, 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 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, for whose rights the Company competes with other toy manufacturers. 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 1996, sales to the Company's two largest customers represented 22% and 13% of consolidated net revenues.

The Company advertises many of 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 1996, the Company spent approximately $418,003,000 in advertising, promotion and marketing programs compared to $417,886,000 in 1995 and $397,094,000 in 1994.

Manufacturing and Importing

The Company manufactures its products in facilities within the United States and various other countries (see "Properties"). Most of its products are manufactured from basic raw materials such as plastic and cardboard which are readily available but which may be subject to significant fluctuations in price. 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 1996 implementation of the General Agreement on Tariffs and Trade reduced or eliminated customs duties on many 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, or the loss of "most favored nation" trading status by the People's Republic of China 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 and in as many countries as practical, 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 within the United States and in Canada, Australia and Europe. The Company maintains laboratories which have 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 United States Federal Communications Commission as well as the laws of certain countries place certain limitations on television commercials during children's programming.

The Company maintains programs to comply with various United States federal, state, local and international requirements relating to the environment, plant safety and other matters.

Forward-Looking Information

From time to time, Hasbro may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. Forward-looking statements are inherently subject to risks and uncertainties, many of which are known by, or self-evident to, the investing public. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause its actual results and experience to differ materially from the anticipated results or other expectations expressed in its forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of Hasbro's business include the following:

1) Hasbro's dependence on its timely development and introduction of new products and the acceptance, by both the customer and consumer, of new and continuing products;

2) The impact of competition on revenue and margins;

3) The impact of differing economic conditions in Hasbro's various international markets as well as the effect of currency fluctuations on reportable income;

4) The continuing trend of increased concentration of Hasbro's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management practices, increases the risk of the Company's underproduction of popular items, overproduction of less popular items and failure to achieve tight and compressed shipping schedules; and

5) Other risks and uncertainties as are or may be detailed from time to time in Hasbro's public announcements and filings with the Securities and Exchange Commission.

(c) Financial Information About International and United States 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	--
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	Warehouse	75,000	Leased	2002
Mt. Laurel	Office	11,000	Leased	1997
New York				
New York	Office & Showroom	70,300	Leased	2000
New York	Offices & Showrooms	32,300	Leased	1999
Ohio				
Cincinnati	Office	161,000	Leased	2007
Cincinnati	Warehouse	33,000	Leased	1999
Pennsylvania				
Allentown	Warehouses	574,500	Leased	1997

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
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	696,100	Leased	1998
El Paso	Warehouses	455,000	Leased	1997
Vermont				
Fairfax	Manufacturing	43,000	Owned	--
Washington				
Seattle	Office & Warehouse	125,100	Leased(1)	1997
Australia				
Lidcombe	Office & Warehouse	161,400	Leased	2002
Eastwood	Office	16,900	Leased	1997
Austria				
Vienna	Office	2,500	Leased	1997
Belgium				
Brussels	Office & Showroom	20,700	Leased	1997
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	1997
Denmark				
Glostrup	Office	9,200	Leased	1999

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
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	8,000	Leased	1998
France				
Le Bourget du Lac	Office, Manufacturing & Warehouse	108,300	Owned	--
Savoie Technolac	Office	33,500	Owned	--
Creutzwald	Warehouse	108,700	Owned	--
Gresy	Warehouse	265,000	Leased	1997
Germany				
Dietzenbach	Office	39,400	Leased	1998
Soest	Office & Warehouse	156,300	Owned	--
Greece				
Athens	Office & Warehouse	176,500	Leased	1997
Hong Kong				
Kowloon	Office	18,600	Leased	2000
Kowloon	Office	16,100	Leased	2000
Shatkin	Office & Warehouse	17,800	Leased	1997
Hungary				
Budapest	Office	6,300	Leased	1997
Ireland				
Waterford	Office, Manufacturing & Warehouse	244,400	Owned	--
Israel				
Jerusalem	Office	2,700	Leased	1998
Italy				
Milan	Office & Showroom	12,100	Leased	2002

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Japan				
Tokyo	Office	7,200	Leased	1998
Malaysia				
Selangor Darul Ehsan	Office	6,800	Leased	1997
Mexico				
Tijuana	Office & Manufacturing	143,800	Leased	1998
Tijuana	Manufacturing	205,000	Leased	1998
Tijuana	Warehouse	143,800	Leased	1998
Reyna	Office	16,100	Leased	2001
Juarez	Manufacturing	169,500	Owned	--
Venados	Warehouses	118,100	Leased	1999
The Netherlands				
Ter Apel	Office & Warehouse	139,300	Owned	--
Ter Apel	Warehouse	39,700	Leased	1997
New Zealand				
Auckland	Office, Manufacturing & Warehouse	110,900	Leased	2005
Norway				
Asker	Office	6,500	Leased	1999
Poland				
Warsaw	Office	5,000	Leased	1998
Portugal				
Estoril-Lisboa	Office	2,900	Leased	1997
Singapore				
Singapore	Office & Warehouse	9,300	Leased	1997
Spain				
Valencia	Office, Manufacturing & Warehouse	115,100	Leased	1999
Valencia	Office	27,600	Leased	2011
Valencia	Manufacturing & Warehouse	201,900	Leased	2011
Valencia	Warehouse	48,100	Leased	1997

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Sweden				
Vosby	Office	7,400	Leased	1998
Switzerland				
Mutschellen	Office & Warehouse	23,400	Leased	1997
Taiwan				
TPE County	Warehouse	14,400	Leased	1998
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 150,000 square feet which are utilized in its operations. The Company also either owns or leases an aggregate of approximately 1,000,000 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	48	Chairman of the Board, President and Chief Executive Officer	Since 1989
Harold P. Gordon (1)	59	Vice Chairman	Since 1995
George R. Ditomassi, Jr. (2)	62	Executive Vice President and President, Global Innovation	Since 1996
Adam Klein (3)	45	Executive Vice President, Global Strategy and Development	Since 1996
John T. O'Neill	52	Executive Vice President and Chief Financial Officer	Since 1989
Alfred J. Verrecchia(4)	54	Executive Vice President and President, Global Operations	Since 1996
Virginia H. Kent (5)	42	President, Global Brands and Product Development	Since 1996
E. David Wilson (6)	59	President, Hasbro Americas	Since 1996
Dan D. Owen (7)	48	President, Hasbro, USA	Since 1996
Richard B. Holt	55	Senior Vice President and Controller	Since 1992
Cynthia S. Reed (8)	41	Senior Vice President and General Counsel	Since 1995
Phillip H. Waldoks (9)	44	Senior Vice President - Corporate Legal Affairs and Secretary	Since 1995
Russell L. Denton	52	Vice President and Treasurer	Since 1989

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

(2) Prior thereto, Chief Operating Officer, Games and International.

(3) Prior thereto, President, Klein & Co. (consulting firm specializing in managing strategic change); Chief Executive Officer of Bowmat Ltd. (a South African manufacturer and distributor of construction related materials) from 1992 through 1993.

(4) Prior thereto, Chief Operating Officer, Domestic Toy Operations.

(5) Prior thereto, General Manager, Girls/Boys/Nerf, from 1994 to 1996; prior thereto, Senior Vice President, Marketing, Kenner, from 1993 to 1994; prior thereto, Vice President, Marketing, Kenner.

(6) Prior thereto, President Hasbro Games Group, from 1995 to 1996; prior thereto, President, Milton Bradley.

(7) Prior thereto, President, Hasbro Toy Group, from 1994 to 1996; prior thereto, President, Playskool.

(8) Prior thereto, Vice President - Legal.

(9) Prior thereto, Senior 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 1997 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 29, 1996 and December 31, 1995

Consolidated Statements of Earnings for the Three Fiscal Years Ended in December 1996, 1995 and 1994

Consolidated Statements of Shareholders' Equity for the Three Fiscal Years Ended in December 1996, 1995 and 1994

Consolidated Statements of Cash Flows for the Three Fiscal Years Ended in December 1996, 1995 and 1994

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 1996, 1995 and 1994:

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.)

   (e) Amendment No. 3, dated as of May 10, 1996, 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 March 31, 1996, 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.(Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)

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 and the Stock Incentive Performance 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 and the Stock Incentive Performance 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 nine 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. (Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)

(bb) Severance And Settlement Agreement And Release, dated as of December 20, 1995, and addendum thereto, between the Company and Dan D. Owen. (Incorporated by reference to Exhibit 10(bb) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)

(cc) Amendment, effective as of January 1, 1997 to Severance and Settlement Agreement and Release between the Company and Dan D. Owen.

(dd) Employee Non-Qualified Stock Plan.

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 February 6, 1997 was filed to announce the Company's results for the quarter and year ended December 29, 1996. Consolidated statements of earnings (without notes) for the quarter and year ended December 29, 1996 and December 31, 1995 and consolidated condensed balance sheets (without notes) as of said dates were also filed.

(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 5, 1997, we reported on the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 29, 1996 and December 31, 1995 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 29, 1996, as contained in the 1996 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 1996. 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 5, 1997

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:					
1996	$48,800	5,834	-	(8,034)	$46,600
1995	$51,000	5,860	-	(8,060)	$48,800
1994	$54,200	5,120	-	(8,320)	$51,000

(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, 1997

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, 1997
/s/ John T. O'Neill John T. O'Neill	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 28, 1997
/s/ Alan R. Batkin Alan R. Batkin	Director	March 28, 1997
/s/ George R. Ditomassi, Jr. George R. Ditomassi, Jr.	Director	March 28, 1997
/s/ Harold P. Gordon Harold P. Gordon	Director	March 28, 1997

/s/ Alex Grass
- - ----------------------------   Director   March 28, 1997
Alex Grass

/s/ Sylvia K. Hassenfeld
- - ----------------------------   Director   March 28, 1997
Sylvia K. Hassenfeld

/s/ Marie-Josee Kravis
- - ----------------------------   Director   March 28, 1997
Marie-Josee Kravis

- - ----------------------------   Director   March   , 1997
Claudine B. Malone

- - ----------------------------   Director   March   , 1997
Morris W. Offit

/s/ Norma T. Pace
- - ----------------------------   Director   March 28, 1997
Norma T. Pace

/s/ E. John Rosenwald, Jr.
- - ----------------------------   Director   March 28, 1997
E. John Rosenwald, Jr.

/s/ Carl Spielvogel
- - ----------------------------   Director   March 28, 1997
Carl Spielvogel

/s/ Henry Taub
- - ----------------------------   Director   March 28, 1997
Henry Taub

/s/ Preston Robert Tisch
- - ----------------------------   Director   March 28, 1997
Preston Robert Tisch

- - ----------------------------   Director   March   , 1997
Paul Wolfowitz

/s/ Alfred J. Verrecchia
- - ----------------------------   Director   March 28, 1997
Alfred J. Verrecchia

HASBRO, INC.

Annual Report on Form 10-K

for the Year Ended December 29, 1996

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.)

(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 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.)

(e) Amendment No. 3, dated as of May 10, 1996, 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 31, 1996, 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. Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1996, File No. 1-6682.)

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 and the Stock Incentive Performance 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 and the Stock Incentive Performance 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 nine 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. (Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)

(bb) Severance And Settlement Agreement And Release, dated as of December 20, 1995, and addendum thereto, between the Company and Dan D. Owen. (Incorporated by reference to Exhibit 10(bb) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)

(cc) Amendment, effective as of January 1, 1997 to Severance and Settlement agreement and Release between the Company and Dan D. Owen.

(dd) Employee Non-Qualified Stock Plan.

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

EXHIBIT 10 (cc)

Amendment, Effective as of January 1, 1997, to
Severance and Settlement Agreement and Release,
dated December 20, 1995

Amendment, effective as of the 1st day of January, 1997, to Severance and Settlement Agreement and Release, dated December 20, 1995, as clarified by letter agreement dated March 28, 1996 (collectively, the "Agreement") between Hasbro, Inc. (the "Company") and Dan D. Owen (the "Employee").

WHEREAS, in light of certain organizational changes at the Company affecting the Employee, the Company and the Employee wish to amend the terms of the Employee's severance arrangements as set forth in the Agreement;

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 to amend the Agreement as follows:

1. The fourth sentence of paragraph 1 of the Agreement is hereby replaced in its entirety with the following two sentences:

"In addition, all stock options exercisable on the date of (a) the involuntary termination by the Company without cause of the Employee's employment or (b) the constructive termination of the Employee's employment shall be exercisable for a period of six months from the date of such termination, notwithstanding anything to the contrary in the Employee's stock option agreements with the Company. Notwithstanding anything to the contrary in Employee's stock option agreements with the Company, all stock options (other than premium-priced stock options granted under the Company's long term incentive program) that would become vested within six months of (a) the involuntary termination by the Company without cause of the Employee's employment or (b) the constructive termination of the Employee's employment shall continue to vest as if Employee were employed for a period of six months after such termination (the "Post-Termination Vested Options"), such Post-Termination Vested Options to be exercisable by the Employee for three months after such vesting in accordance with the terms of this sentence."

2. The seventh sentence of paragraph 1 of the Agreement is amended to read in its entirety as follows:

"For purposes of this Agreement, a constructive termination of the Employee's employment shall occur if the Employee voluntarily terminates employment on or prior to June 30, 1998."

3. The following shall be added as a new paragraph 15 to the Agreement:

15. "Termination". This Agreement and the obligations of the Company and the Employee under this Agreement (other than the obligations of the Employee under paragraph 4 of this Agreement, which shall survive the termination of this Agreement) shall terminate if an involuntary termination by the Company without cause of the Employee's employment or a constructive termination of the Employee's employment shall not have occurred by June 30, 1998."

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

5. 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 Amendment with an attorney. The Employee further states and represents that he has carefully read this Amendment; 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, the parties have executed this Amendment on the dates written below.

HASBRO, INC.

By: /s/ Harold P. Gordon Date: 2-4-97

Vice Chairman

By: /s/ Dan D. Owen Date: 2-3-97

---------------------- ------

Employee

EXHIBIT 10 (dd)

HASBRO, INC.
EMPLOYEE NON-QUALIFIED STOCK PLAN

1. Purpose

The purpose of the Employee Non-Qualified Stock Plan (the "Plan") is to advance the interests of Hasbro, Inc. ("Hasbro") and to increase shareholder value by providing Employees with a proprietary interest in the growth and performance of Hasbro and with incentives for continued service with Hasbro, its subsidiaries and affiliates.

2. Term

The Plan shall be effective upon approval thereof by the Compensation and Stock Option Committee (the "Committee") of the Board of Directors of Hasbro (the "Board") on February 13, 1997 and shall remain in effect until December 31, 2002 unless extended or sooner terminated by the Committee or the Board. After termination of the Plan, no future awards may be granted but previously made awards shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan.

3. Plan Administration

The Committee shall be responsible for administering the Plan. The Committee shall be comprised of two or more members of the Board who qualify to administer this Plan as contemplated by Rule 16b-3 or any successor rule ("Rule 16b-3") under the Securities Exchange Act of 1934 (the "1934 Act"). The Committee shall have full and exclusive power to interpret, construe and implement the Plan and any rules, regulations, guidelines or agreements adopted hereunder and to adopt, alter and repeal such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper. These powers shall include, but not be limited to, (i) determination of the type or types of awards to be granted under the Plan; (ii) determination of the terms and conditions of any awards under the Plan (including, but not limited to, the option or award price, any vesting restrictions or forfeiture provisions (including, but not limited to, the power to accelerate any vesting restrictions and waive, in whole or in part, any forfeiture provisions) and the term of the award (including, but not limited to, the power to extend the term of any award)); (iii) determination of whether to adjust other terms and conditions, at any time or from time to time, of any award, including with respect to performance goals and measurements applicable to performance-based awards pursuant to the terms of the Plan; (iv) determination of to what extent and under what circumstances shares and other amounts payable with respect to an award shall be deferred; (v) determination of whether, to what extent and under what circumstances awards may be settled, paid or exercised in cash, shares, other securities, or other awards, or other property, or canceled, forfeited or suspended; (vi) adoption of modifications, amendments, procedures, subplans and the like as are necessary to comply with provisions of the laws of other countries in which the Company may operate in order to assure the viability of awards granted under the Plan and to enable participants employed in such other countries to receive advantages and benefits under the Plan and such laws; (vii) subject to the rights of participants, modification, change, amendment or cancellation of any award to correct an administrative error; and (viii) taking any other action the Committee deems necessary or desirable for the administration of the Plan. In making any determination under the Plan, the Committee shall be entitled to rely on reports, opinions or statements of officers or employees of the Company as well as those of counsel, public accountants and other professional or expert persons. All determinations, interpretations, and other decisions under or with respect to the Plan or any award by the Committee shall be final, conclusive and binding upon all parties, including without limitation, the Company, any Employee and any other person with rights to any award under the Plan and no member of the Committee shall be subject to individual liability with respect to the Plan. The Committee shall act only by a majority of its members then in office, except the Committee may delegate to any one or more directors of the Company who are also officers of the Company any or all of its duties, powers and authority under the Plan pursuant to such conditions or limitations as the Committee may establish, except that only the Committee may make any determinations regarding Employees who are subject to Section 16 of the 1934 Act.

4. Eligibility

Any Employee of the Company shall be eligible to receive an award under the Plan, as the Committee in its sole discretion shall determine from time to time, except that no director who is not employed by the Company shall be eligible to receive any awards under the Plan. In this Plan, the term

"Employee" shall have the same definition as that set forth in General Instruction A to Form S-8 promulgated under the Securities Act of 1933, as amended, and the term "Company" shall mean Hasbro and any entity that is directly or indirectly controlled by Hasbro.

5. Shares of Stock Subject to the Plan

The aggregate number and class of shares which may be made the subject of awards granted pursuant to the Plan is Four Million (4,000,000) shares of common stock of Hasbro, par value $.50 per share (the "Common Stock"), subject in each case to adjustment as provided in Section 6, provided, however, that the number of shares which may be made the subject of awards granted (a) in any one year may not exceed more than 5% of the outstanding Common Stock and (b) in any five year period may not exceed 10% of the outstanding Common Stock. Such shares may be made available from authorized and unissued shares of Common Stock or shares of Common Stock held in Hasbro's treasury. If any shares subject to an award are forfeited, cancelled or reacquired by the Company (including, but not limited to, any stock option or stock appreciation right ("SAR") which is not exercised in full) and the participant did not receive any benefits of ownership in such shares (other than voting rights or dividends that may have accumulated but due to forfeiture, cancellation or reacquisition were never realized by the participant), shares subject to such award shall again be available for distribution in connection with awards under the Plan. In addition, where an SAR or other award is settled in cash or any form other than shares, then the shares covered by these settlements shall not be deemed issued and shall remain available for issuance under the Plan. Notwithstanding anything in this Plan to the contrary, any shares that are issued by the Company, and any awards that are granted by, or become obligations of, the Company, through the assumption by the Company of, or in substitution for, outstanding awards previously granted by an acquired company shall not be counted against the shares available for issuance under the Plan and the terms and conditions of any such awards shall be the original terms and conditions thereof as adjusted by or pursuant to the acquisition agreement.

6. Adjustments and Reorganizations

The Committee may make such adjustments as it deems appropriate to meet the intent of the Plan in the event of changes that impact the Company's share price or share status, provided that any such actions are consistently and equitably applicable to all affected participants.

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting shares, such adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change shall be made with respect to (i) the aggregate number of shares that may be issued under the Plan; (ii) the number of shares subject to awards under the Plan; and/or (iii) the price per share for any outstanding stock options, SARs and other awards under the Plan.

7. Awards

The Committee shall determine the type or types of award(s) to be made to each participant under the Plan and shall approve the terms and conditions governing these awards in accordance with Section 12. Awards may include but are not limited to those listed in this Section 7. Awards may be granted singly, in combination or in tandem (i.e. so that the settlement or payment of one automatically reduces or cancels the other). Awards may also be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for, grants or rights under any other employee or compensation plan of the Company, including the plan of any acquired entity.

(a) "Stock Option" is a grant of a right to purchase a specified number of shares of Common Stock during a specified period at a specified or determinable price. The purchase price of each option shall be not less than the Fair Market Value of the Common Stock subject to the stock option on the date of grant. A stock option may be exercised in whole or in installments, which may be cumulative. All stock options shall be non-qualified options.

The price at which shares of Common Stock may be purchased under a stock option shall be paid in full at the time of the exercise in cash or such other method as provided by the Committee at the time of grant in the award agreement, including, but not limited to, tendering Common Stock or surrendering a stock award, valued in each case, at Fair Market Value on the date of tender or surrender, surrendering a cash award, or any combination thereof.

(b) "Stock Appreciation Right" is a right to receive a payment, in cash and/or Common Stock, as determined by the Committee, equal to all or part of the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the SAR is exercised over the exercise or designated price of the SAR as set forth in the applicable award agreement, which shall not be less than the Fair Market Value of the Common Stock subject to the stock appreciation right on the date of grant. The Committee, in its discretion, may grant a participant the right to receive from the Company all or a portion of the tax liability incurred or to be incurred by a participant as a result of awards made to or settled by him or her hereunder on such terms and conditions as the Committee may determine.

(c) "Stock Award' is an award made in shares of Common Stock or denominated in units of shares of Common Stock. All or part of any stock award may be subject to conditions established by the Committee, and set forth in the award agreement, which may include, but are not limited to, continuous service with the Company, achievement of specific business objectives, and other measurements of individual, business unit or Company performance.

(d) "Cash Award" is an award denominated in cash that would constitute a "derivative security", for purposes of Rule 16b-3, if not awarded pursuant to a plan satisfying the provisions of Rule 16b-3. The payment of a cash award may be subject to such restrictions and conditions as may be established by the Committee, and as set forth in the award agreement, including, but not limited to, continuous service with the Company, achievement of specific business objectives, and other measurement of individual, business unit or Company performance. A cash award may be made by the Committee, in its discretion, in respect of all or a portion of the tax liability incurred or to be incurred by a participant as a result of awards made to or settled by him or her under the Plan.

8. Dividends and Dividend Equivalents

The Committee may provide that awards denominated in stock earn dividends or dividend equivalents. Such dividend equivalents may be paid currently or may be credited to an account established by the Committee under the Plan in the name of the participant. In addition, dividends or dividend equivalents paid on outstanding awards or issued shares may be credited to such account rather than paid currently. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including, but not limited to, reinvestment in additional shares or share equivalents.

9. Deferrals and Settlements

Payment of awards may be in the form of cash, shares, other awards, or in combinations thereof as the Committee shall determine at the time of grant, and with such restrictions as it may impose. The Committee may also require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under the Plan. It may also provide that deferred settlements include the payment or crediting of interest on the deferral amounts or the payment or crediting of dividend equivalents on deferred settlements denominated in shares.

10. Fair Market Value

Fair Market Value for purposes of the Plan shall mean the average of the high and low sales prices of the Common Stock as reported in The Wall Street Journal for the American Exchange Composite Transactions or similar successor consolidated transactions reports for the relevant date (or the comparable consolidated transaction reports for any other national securities exchange or NASDAQ National Market Issues, if Hasbro Common Stock is admitted for trading or quotation on said exchange or market), or, if no sales of Common Stock were made on said exchange or market on that date, the average of the high and low prices of Common Stock as reported in said composite transactions report for the preceding day on which sales of Common Stock were made on said exchange or market. If Hasbro's Common Stock is not then trading on an exchange or quoted in NASDAQ National Market Issues, then Fair Market Value shall be the mean between the bid and asked prices for the relevant over-the counter transaction on such date, or if there are not such transactions, then Fair Market Value shall be determined in good faith by the Committee. Notwithstanding the foregoing, for purposes of valuing shares delivered to the Company by a participant in payment of the exercise price of an option pursuant to Section 7 hereof and shares delivered or withheld in payment of applicable tax withholding pursuant to Section 14 hereof, if the participant sells, on a national securities exchange, or on NASDAQ or over-the-counter, the shares acquired on the same day as the date of exercise, the "Fair Market Value" of the shares so delivered or withheld to be the actual sales price of the shares so sold. Under no circumstances shall Fair Market Value be less than the par value of the Common Stock.

11. Transferability and Exercisability

Except as the Committee may in its sole discretion authorize all awards under the Plan will be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by the participant other than by will, the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder, unless otherwise determined by the Committee in its sole discretion during the life of the participant, awards under the Plan shall be exercisable only by him or her or by his or her guardian or legal representative.

12. Award Agreements

Awards under the Plan shall be evidenced by an agreement as shall be approved by the Committee that sets forth the terms, conditions and limitations of an award. The Committee may amend agreements theretofore entered into, either prospectively or retroactively, including, but not limited to, the acceleration of vesting of an award, and the extension of time to exercise an award, except that, no such amendment shall affect the award in a materially adverse manner without the consent of the participant.

13. Plan Amendment

The Committee may amend, alter, extend the term of, increase or decrease the number of shares of stock subject to or discontinue the Plan at any time, except that no such amendment shall affect any outstanding awards in a materially adverse manner under the Plan without the consent of the holders thereof.

14. Tax Withholding

The Company shall have the right to deduct from any settlement of an award made under the Plan, including the delivery or vesting of shares, an amount sufficient to cover withholding required by law for any federal, state, local or foreign taxes or to take such other action as may be necessary to satisfy any such withholding obligations including, but not limited to, requiring the payment by the participant to the Company of any such amounts. Any participant may deliver shares or direct the Company that shares be withheld to satisfy required tax withholding and such shares shall be valued at the Fair Market Value as of the settlement date of the applicable award in accordance with the terms and conditions of the award agreement.

15. Financial Assistance

If the Committee determines that such action is advisable, the Company may assist any person to whom an award has been granted in obtaining financing from the Company or from a bank or other third party, on such terms as are determined by the Committee, and in such amount as is required to accomplish the purposes of the Plan, including, without limitation, to permit the exercise of an award and/or the payment of any taxes in respect thereof. Such assistance may take any form that the Committee deems appropriate, including, but not limited to, a direct loan from the Company, a guarantee of the obligation by the Company, or the maintenance by the Company of deposits with such bank or third party.

16. Change in Control

Notwithstanding anything to the contrary in the Plan, the following shall apply to all outstanding awards granted under the Plan:

(a) Definitions: The following definitions shall apply to this Section:

A "Change in Control", unless otherwise defined by the Committee, shall mean:

A. The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of either (i) the then outstanding shares of Common Stock of Hasbro (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding voting securities of Hasbro entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from Hasbro or any of its subsidiaries, (ii) any acquisition by Hasbro or any of its subsidiaries, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Hasbro or any of its subsidiaries, (iv) any acquisition by Alan or Sylvia Hassenfeld, members of their respective immediate families, or heirs of Alan or Sylvia Hassenfeld or of any member of their respective immediate families, the Sylvia Hassenfeld Trust, the Merrill Hassenfeld Trust, the Alan Hassenfeld Trust, the Hassenfeld Foundation, any trust or foundation established by or for the primary benefit of any of the foregoing or controlled by one or more of any of the foregoing, or any affiliates or associates (as such terms are defined in Rule 12b-2 promulgated under the 1934 Act) of any of the foregoing or (v) any acquisition by any corporation with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be; or

B. Individuals who, as the effective date of the Plan constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of the Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents; or

C. Approval by the shareholders of Hasbro of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be; or

D. Approval by the shareholders of Hasbro of (i) a complete liquidation or dissolution of Hasbro or (ii) the sale or other disposition of all or substantially all of the assets of Hasbro, other than to a corporation, with respect to which following such sale or other disposition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be.

"CIC Price" shall mean the higher of (1) the highest price paid for a share of Common Stock in the transaction or series of transactions pursuant to which a Change in Control of the Company shall have occurred, or (2) the highest reported sales price of a share of Common Stock during the 60 day period immediately preceding the date upon which the event constituting a Change in Control shall have occurred. To the extent that the consideration paid in any transaction or series of transactions described in (1) above consists in whole or in part of non-cash consideration, the value of such non-cash consideration shall be determined in the sole discretion of the Board.

(b) Acceleration of Vesting and Treatment of Stock Awards, Stock Options, SARs and Cash Awards

(1) Upon the occurrence of an event constituting a Change in Control, all stock awards (and related dividends or dividend equivalents, if any), stock options, SARs and cash awards outstanding on such date shall become 100% vested.

(2) In the event of a merger or consolidation in which the Company is not the surviving corporation, as well as a merger or consolidation which

would constitute a Change of Control under Section 16.C. above (whether or not the Company is the surviving corporation), the agreement of merger or consolidation may provide (i) that the stock awards, stock options, SARs or cash awards are unaffected by the merger or consolidation, (ii) for substituted stock awards, stock options, SARs or cash awards by the surviving corporation for those stock awards, stock options, SARs or cash awards granted hereunder or (iii) for the assumption of such awards, options or SARs by the surviving corporation, in which case the Committee in its sole discretion, may provide for such substitution or assumption with such adjustments to the awards, options and SARs granted hereunder as the Committee shall in its sole discretion determine.

Alternatively, the Committee may, at its sole discretion, cancel all awards, options and SARs granted hereunder upon payment by the Company to the participants in cash. The amount of cash to be paid shall be determined by multiplying the number of such awards, as the case may be, by (i) in the case of stock awards, the CIC Price, (ii) in the case of stock options, the difference between the exercise price per share and the CIC Price, if higher, (iii) in the case of SARs, the difference between the exercise or designated price per share and the CIC Price, if higher; (iv) in the case of cash awards where the performance period, if any, has not been completed upon the occurrence of a Change in Control, the maximum value of such awards as determined by the Committee at the time of grant, without regard to the performance criteria, if any, applicable to such award; and (v) in the case of cash awards where the performance period, if any, has been completed on or prior to the occurrence of a Change in Control, the value of such award as determined in accordance with the award agreement. In addition, all accrued dividends and dividend equivalents or interest accrued on deferred settlements shall be paid.

17. Options With Respect to Shares Surrendered to Exercise Options

The Committee, in its discretion, may provide at the time of the award or subsequent thereto, in the award agreement granting an option pursuant to Section 12 hereunder, or in a separate agreement, that in the event a participant exercises an option, making payment of the option price by an exchange of shares of Common Stock previously owned by the participant for at least six months, in the manner permitted by the Committee pursuant to Section 7 hereof, such participant shall automatically be issued a new option to purchase additional shares equal to the number of shares of previously owned Common Stock so exchanged. Such new option shall have an option price equal to not less than the Fair Market Value of the Common Stock on the date such new option is granted, and shall have an exercise period which commences one year from the date of grant of the new option and expires on the same date as did that of the original option exercised pursuant to the exchange.

18. Unfunded Plan

Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of a grant awarded under the Plan, such right (unless otherwise determined by the Committee) shall be no greater than the right of an unsecured general creditor of the Company.

19. Right of First Refusal

At the time of grant of any award or acceleration of any vesting term, the Committee may provide that shares received as a result of such grant or accelerated vesting shall be subject to a right of first refusal pursuant to which the participant shall be required to offer to the Company any shares that the participant wishes to sell at a price no greater than the then Fair Market Value of the shares, subject to such other terms and conditions as the Committee may specify.

20. Miscellaneous

No person shall have any claim or right to be granted an award under the Plan, and no participant shall have any right by reason of the grant of any award under the Plan to continued employment by the Company. Determinations made by the Committee under the Plan need not be uniform and may be made selectively among eligible individuals under the Plan, whether or not such eligible individuals are similarly situated. No participant shall have any right with respect to the Plan, or in any award, contingent or otherwise, until written evidence of the award shall have been delivered to the recipient and all the terms, conditions and provisions of the Plan and the award applicable to such recipient have been met. A participant shall have no rights as a shareholder until he or she becomes the holder of record.

21. General Restriction

Each award shall be subject to the requirement that, if at any time the Committee shall determine, in its sole discretion, that the listing, registration or qualification of any award under the Plan upon any securities exchange or under any state, federal or foreign law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such award or the exercise or settlement thereof, no such award may be exercised or settled in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The Committee may require each participant purchasing or receiving shares pursuant to an award to represent to and agree with the Company in writing that such participant is acquiring the shares without a view to the distribution thereof. All certificates for shares, or other securities delivered under the Plan shall be subject to such stock transfer stop orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed and any applicable state, federal, or foreign law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

22. Governing Law

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the state of Rhode Island and applicable federal law.

23. Successors and Assigns

The Plan shall be binding on all successors and permitted assigns of a participant, including, but not limited to, the estate of such participant and the executor, administrator or trustee of such estate, the guardian or legal representative of the participant.

24. Effect on the Company's 1992 Stock Incentive Plan, Stock Incentive Performance Plan and Other Compensation Arrangements

The adoption of the Plan shall have no effect on awards made or to be made pursuant to the Company's existing 1992 Stock Incentive Plan, Stock Incentive Performance Plan and other compensation arrangements. Nothing contained in the Plan shall prevent the Company from adopting other or additional compensation plans or arrangements for its employees.

EXHIBIT 11

HASBRO, INC. AND SUBSIDIARIES

Computation of Earnings Per Share

(Thousands of Dollars and Shares Except Per Share Data)

	1996		1995		1994	
	Primary	Fully Diluted	Primary	Fully Diluted	Primary	Fully Diluted
Net earnings before cumulative effect of change in accounting principles	$199,912	199,912	155,571	155,571	179,315	179,315
Interest and amortization on convertible notes, net of taxes	-	5,757	-	5,763	-	5,764
Net earnings before cumulative effect of change in accounting principles applicable to common shares	199,912	205,669	155,571	161,334	179,315	185,079
Cumulative effect of change in accounting principles	-	-	-	-	(4,282)	(4,282)
Net earnings applicable to common shares	$199,912	205,669	155,571	161,334	175,033	180,797
Weighted average number of shares outstanding: (a)						
Outstanding at beginning of period	131,017	131,017	131,293	131,293	131,693	131,693
Exercise of stock options and warrants:						
Actual	502	502	306	306	458	458
Assumed	1,816	2,152	864	995	2,292	2,292
Conversion of convertible notes:						
Actual	6	6	-	-	-	-
Assumed	-	7,666	-	7,671	-	7,671
Purchase of common stock	(1,485)	(1,485)	(84)	(84)	(447)	(447)
Total	131,856	139,858	132,379	140,181	133,996	141,667
Per common share: (a)						
Earnings before cumulative effect of change in accounting principles	$ 1.52	1.47	1.18	1.15	1.34	1.31
Cumulative effect of change in accounting principles	-	-	-	-	(.03)	(.03)
Net earnings	$ 1.52	1.47	1.18	1.15	1.31	1.28

(a) Adjusted to reflect the three-for-two stock split declared on February 19, 1997 for payment on March 21, 1997.

EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES

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

(Thousands of Dollars)

	1996	1995	1994	1993	1992
Earnings available for fixed charges:					
Net earnings	$199,912	155,571	175,033	200,004	179,164
Add:					
Cumulative effect of change in accounting principles	-	-	4,282	-	-
Fixed charges	47,174	52,422	44,280	42,839	48,050
Taxes on income	106,981	96,979	112,254	125,206	113,212
Total	$354,067	304,972	335,849	368,049	340,426
Fixed charges:					
Interest on long-term debt	$ 9,258	9,267	11,179	10,178	16,932
Other interest charges	22,207	28,321	19,610	19,636	18,959
Amortization of debt expense	339	339	429	386	623
Rental expense representative of interest factor	15,370	14,495	13,062	12,639	11,536
Total	$ 47,174	52,422	44,280	42,839	48,050
Ratio of earnings to fixed charges	7.51	5.82	7.58	8.59	7.08

EXHIBIT 13

HASBRO, INC. AND SUBSIDIARIES

Selected Information Contained in
Annual Report to Shareholders

for the Year Ended December 29, 1996

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, each as adjusted to reflect the three-for-two stock split declared on February 19, 1997 for payment on March 21, 1997, for the periods listed.

Period	Sales Prices High	Sales Prices Low	Cash Dividends Declared
1995			
1st Quarter	$22 1/2	18 7/8	$.05
2nd Quarter	23 1/2	20 7/8	.05
3rd Quarter	22 1/4	19 3/4	.05
4th Quarter	21 3/4	19	.05
1996			
1st Quarter	$31 1/4	19 1/4	$.07
2nd Quarter	25 3/4	23 1/2	.07
3rd Quarter	25 1/2	21 1/4	.07
4th Quarter	29 3/8	24 5/8	.07

The approximate number of holders of record of the Company's Common Stock as of February 28, 1997 was 4,200.

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 29, 1996, under the most restrictive agreement the full amount of retained earnings is free of restrictions.

On February 20, 1997, the Company announced both a three-for-two stock split, payable in the form of a 50% stock dividend, and a quarterly cash dividend of $.08 per share, which represents a 20% increase from that previously in effect. The stock split was paid on March 21, 1997 to shareholders of record on March 7, 1997, and the dividend is payable on May 15, 1997 to shareholders of record on May 1, 1997.

SELECTED FINANCIAL DATA

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

	Fiscal Year 1996	1995	1994	1993	1992
Statement of Earnings Data:					
Net revenues	$3,002,370	2,858,210	2,670,262	2,747,176	2,541,055
Net earnings before cumulative effect of change in accounting principles	$ 199,912	155,571	179,315	200,004	179,164
Net earnings	$ 199,912	155,571	175,033	200,004	179,164
Per Common Share Data: (1)					
Net earnings					

before cumulative effect of change in accounting principles	$ 1.52	1.18	1.34	1.48	1.34
Net earnings	$ 1.52	1.18	1.31	1.48	1.34
Cash dividends declared	$ .27	.21	.19	.16	.13
Balance Sheet Data:					
Total assets	$2,701,509	2,616,388	2,378,375	2,293,018	2,082,766
Long-term debt	$ 149,382	149,991	150,000	200,510	206,189
Ratio of Earnings to Fixed Charges (2)	7.51	5.82	7.58	8.59	7.08
Weighted Average Number of Common Shares (1)	131,856	132,379	133,996	135,046	133,629

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

(2) 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:

	1996	1995	1994
Net revenues	100.0%	100.0%	100.0%
Cost of sales	44.3	43.3	43.5
Gross profit	55.7	56.7	56.5
Amortization	1.3	1.4	1.4
Royalties, research and development	10.6	10.7	10.2
Advertising	13.9	14.6	14.9
Selling, distribution and administration	18.8	19.4	18.5
Discontinued development project and restructuring charges	-	1.1	.5
Interest expense	1.1	1.3	1.1
Other income, net	(.2)	(.6)	(1.0)
Earnings before income taxes and cumulative effect of change in accounting principles	10.2	8.8	10.9
Income taxes	3.5	3.4	4.2
Earnings before cumulative effect of change in accounting principles	6.7	5.4	6.7
Cumulative effect of change in accounting principles	-	-	(.1)
Net earnings	6.7%	5.4%	6.6%

(Thousands of Dollars Except Share Data)

Results of Operations

Net revenues for 1996 were $3,002,370 compared to $2,858,210 and $2,670,262 for 1995 and 1994, respectively. Within the United States market, games and puzzles enjoyed another year of record revenues. The classic brands, such as Monopoly(R) and Scrabble(R), continued to appeal to consumers. The refreshed Trivial Pursuit(R) and Yahtzee(R) lines and newer products, including Puzz 3-D(TM), Jumanji(TM) and Goosebumps(TM), also received very favorable consumer acceptance. In Hasbro's first full year in the CD-ROM interactive game market, seven of its thirteen products in this line, including Monopoly, now in its second-year, exceeded 100,000 units in sales. Within the toy area, boys' toys again were led by action figures, with both Star Wars(R) and Batman(R) proving to be popular, even in a year with limited entertainment support. Hasbro's line of Nerf(R) sports products also grew significantly, up almost 25%. Both the activities range, with such favorites as Play Doh(R), completing its 40th year, and Easy Bake(R) Oven, and new Wonder World(TM) products, and the girls' area, due to a strong large doll segment, had increased volume. The preschool arena, however, was disappointing, experiencing a significant decline in revenues from those of the prior year.

In the international market, both in their local currencies and in dollars, revenues were essentially flat with those of a year ago. Within Europe, Germany continued to be a difficult market for the Company, as was Spain. Elsewhere, the Asian units, Canada and Mexico all showed growth both in their local currencies and in U.S. dollars. The growth in 1995 from 1994 was primarily attributable to the United States game and puzzle lines and the overall international market. In the aggregate, changed foreign currency rates had a negative impact of approximately $29,000 in 1996 and a favorable impact of approximately $30,000 in 1995.

The Company's gross profit margin decreased to 55.7% from 56.7% in 1995 which had improved slightly from 56.5% in 1994. The change in 1996 results from a combination of factors including a greater volume of products sold at less than normal margins, higher tooling costs, unfavorable foreign exchange rates, increased unabsorbed overheads in the Company's European manufacturing facilities resulting from reduced production levels, all partially offset by reduced raw material commodity 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 $40,064 compares with $38,471 in 1995 and $36,903 in 1994. These increases were attributable to the acquisitions during the respective years.

Expenditures for royalties, research and development increased to $319,494 from $304,704 in 1995, while in 1994 they were $273,039. Included in these amounts are expenditures for research and development of $152,487 in 1996, $148,057 in 1995 and $135,406 in 1994. As percentages of net revenues, research and development was 5.1% in 1996, which is not materially different than the 5.2% in 1995 and 5.1% in 1994. The added development efforts in 1996 related to the Company's interactive game products substantially offset the reduction in expenses related to its virtual reality efforts in 1995 and 1994 (see below). The increased royalties in 1996 and 1995, both in amount and as a percentage of net revenues, when compared with 1994, were primarily attributable to the higher proportion of the Company's revenues arising from licensed products.

Advertising expenses, after remaining relatively constant at 14.6% and 14.9% of net revenues in 1995 and 1994, respectively, decreased in 1996 to 13.9%. This decrease reflects both the reduced proportion of the Company's revenues attributable to its international units, which traditionally have higher advertising to sales ratios than do the United States units, and the reduced overall level of advertising expenditures.

During 1996, selling, distribution and administration costs decreased to 18.8% of revenues from 19.4% in 1995 and 18.5% in 1994. The 1996 percentage reflects a return to a level more closely approximating that experienced in years prior to 1995. The increase in 1995 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 that fiscal year.

During the second quarter of 1995, Hasbro 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 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 of that year. This amount included facility costs, severance and other related costs.

Interest expense was $31,465 during 1996 compared to $37,588 during 1995 and $30,789 in 1994. The decrease during the current year reflected the impact of lower interest rates and the availability of funds generated from operations during 1995. The increase in 1995 from 1994 reflected the effect of increased interest rates as well as the Company's increased use of funds for acquisitions.

Other income of $6,091 in 1996 compares with $16,566 and $26,681 in 1995 and 1994, respectively. The decrease of approximately $10,000 in 1996 is largely the result of decreased earnings from available funds. These funds, principally in the international units, are invested on a short-term basis locally. 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.

Income tax expense as a percentage of pretax earnings in 1996 decreased to 34.9% from 38.4% and 38.5% in 1995 and 1994, respectively. This decrease resulted from changes in Hasbro's operations as well as the impact of strategies implemented during 1996. These strategies realized tax benefits for certain current and prior year international operating losses, allowed a reduction in the deferred tax asset valuation allowance and reduced state income taxes. In addition, the impact of nondeductible amortization was less due to the higher level of earnings.

Liquidity and Capital Resources

The Company continued to have a strong and highly liquid balance sheet with cash and cash equivalents of $218,971 at December 29, 1996. Cash and cash equivalents were $161,030 and $137,028 at December 31, 1995 and December 25, 1994, respectively.

Hasbro generated in excess of $225,000 of net cash from its operating activities in each of 1996, 1995 and 1994. Included in the 1996 amount was a net utilization of $52,347 for changes in operating assets and liabilities. Contributing to this utilization were accounts receivable, which were approximately 2% greater than in 1995. This reflects the approximate $83,000 increase in fourth quarter sales, much of which, under Hasbro's normal trading terms, becomes due after the end of the Company's fiscal year, partially reduced by the non-recourse sale of certain receivables totaling $65,000. Inventories decreased by more than 13% in the current year, also impacted by the higher level of fourth quarter shipments. Also utilizing funds were prepaid expenses and other current assets, which increased and accounts payable and accrued liabilities, which decreased. Both of these changes were largely due to the timing of certain payments. During 1995 operating assets and liabilities utilized $67,117, primarily in accounts receivable and inventories. Receivables were approximately 10% greater in 1995 than in 1994, reflecting both the increased level of fourth quarter sales and the impact of 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 faster and more complete shipment of customer orders. Partially offsetting these utilizations was the increase in trade payables and other accrued liabilities which reflected the 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.

Cash flows from investing activities were a net utilization of funds during all three reported years; $127,286, $209,331 and $244,178 in 1996, 1995 and 1994, 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, 57% in 1996, 56% in 1995 and 43% in 1994 were for purchases of tools, dies and molds related to the Company's products. During those three years, depreciation and amortization expenses were $98,201, $91,437 and $85,368, respectively. During 1996, Hasbro made several small acquisitions and investments, none of which were significant. 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. 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 1997, 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 2, 1997, the Company's unused committed and uncommitted lines of credit, including a $440,000 revolving credit agreement, were in excess of $1,100,000.

During 1996 and 1994, net financing activities utilized approximately $90,000 of Hasbro's funds, while in 1995 it provided a small amount. Throughout 1996, the Company met its seasonal working capital requirements through short-term borrowings, as in prior years. During the year, the Company also repurchased in excess of $80,000 of its common stock in the open market. 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. 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 in 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 3,415,800 shares of its common stock during 1996 and may repurchase up to an additional 5,685,750 shares (both amounts expressed in post-split 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 less than twelve months. At both December 29, 1996 and December 31, 1995, 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.

The Economy and Inflation

The Company continued to experience a difficult economic environment throughout much of the world during 1996. The principal market for the Company's products is the retail sector where certain customers have experienced economic difficulty. The Company closely monitors the creditworthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The effect of inflation on the Company's operations during 1996 was not significant and the Company will continue its policy of monitoring costs and adjusting prices accordingly.

Other Information

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 1997.

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.

Hasbro will be adopting Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 125), in 1997. The adoption of SFAS 125 is not expected to have any material impact on Hasbro's results of operations, financial condition or cash flows.

Statements of Financial Accounting Standards No. 128, Earnings per Share (SFAS 128), and No. 129, Disclosure of Information about Capital Structure (SFAS 129), were issued by the Financial Accounting Standards Board in February 1997. Hasbro will adopt both SFAS 128 and SFAS 129 in 1997 and is currently reviewing the provisions of each to determine their impact, if any, on its operating results or financial position.

On February 10, 1997, Hasbro and Russ Berrie and Company, Inc. (Russ Berrie) announced an agreement in principle for Hasbro to acquire the assets of Russ Berrie subsidiaries Cap Toys, Inc. and Oddzon Products, Inc. for $166,000, subject to adjustment based on the net tangible value of assets sold. The agreement in principle is subject to the execution and delivery of a definitive contract and the satisfaction of the conditions to be contained therein, including, without limitation, the receipt of regulatory and other consents and approvals. It is anticipated that the transaction will be consummated in the second quarter of 1997.

On February 20, 1997, Hasbro announced both a three-for-two stock split and a quarterly cash dividend of $.08 per share, which represents a 20% increase from that previously in effect. The stock split, in the form of a 50% stock dividend, was paid on March 21, 1997 to shareholders of record on March 7, 1997, and the dividend is payable on May 15, 1997 to shareholders of record on May 1, 1997. On February 14, the Company announced the establishment of a dividend reinvestment and cash stock purchase program for its shareholders of record and employees.

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 29, 1996 and December 31, 1995 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 29, 1996. 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 29, 1996 and December 31, 1995 and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 29, 1996 in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Providence, Rhode Island

February 5, 1997

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 29, 1996 and December 31, 1995

(Thousands of Dollars Except Share Data)

Assets	1996	1995
Current assets		
Cash and cash equivalents	$ 218,971	161,030
Accounts receivable, less allowance for doubtful accounts of $46,600 in 1996 and $48,800 in 1995	807,149	791,111
Inventories	273,247	315,620
Prepaid expenses and other current assets	187,222	157,737
Total current assets	1,486,589	1,425,498
Property, plant and equipment, net	313,545	313,240
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of $115,312 in 1996 and $99,404 in 1995	460,467	473,388
Other intangibles, less accumulated amortization of $102,387 in 1996 and $79,648 in 1995	364,987	343,624
Other	75,921	60,638
Total other assets	901,375	877,650
Total assets	$2,701,509	2,616,388

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets, Continued
December 29, 1996 and December 31, 1995

(Thousands of Dollars Except Share Data)

Liabilities and Shareholders' Equity	1996	1995
Current liabilities		
Short-term borrowings	$ 120,736	119,987
Trade payables	174,337	198,328
Accrued liabilities	399,896	433,567
Income taxes	135,849	117,982
Total current liabilities	830,818	869,864
Long-term debt	149,382	149,991
Deferred liabilities	69,263	70,921
Total liabilities	1,049,463	1,090,776
Shareholders' equity		
Preference stock of $2.50 par value. Authorized 5,000,000 shares; none issued	-	-
Common stock of $.50 par value. Authorized 300,000,000 shares; issued 132,160,293 shares in 1996 and 88,086,108 shares in 1995	66,080	44,043
Additional paid-in capital	282,922	279,288
Retained earnings	1,362,791	1,201,242
Foreign currency translation	21,487	23,450
Treasury stock, at cost, 3,297,628 shares in 1996 and 741,237 shares in 1995	(81,234)	(22,411)
Total shareholders' equity	1,652,046	1,525,612
Total liabilities and shareholders' equity	$2,701,509	2,616,388

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)

	1996	1995	1994
Net revenues	$3,002,370	2,858,210	2,670,262
Cost of sales	1,328,897	1,237,197	1,161,479
Gross profit	1,673,473	1,621,013	1,508,783
Expenses			
Amortization	40,064	38,471	36,903
Royalties, research and development	319,494	304,704	273,039
Advertising	418,003	417,886	397,094
Selling, distribution and administration	563,645	555,280	493,570
Discontinued development project and restructuring charges	-	31,100	12,500
Total expenses	1,341,206	1,347,441	1,213,106
Operating profit	332,267	273,572	295,677
Nonoperating (income) expense			
Interest expense	31,465	37,588	30,789
Other (income), net	(6,091)	(16,566)	(26,681)
Total nonoperating expense	25,374	21,022	4,108
Earnings before income taxes and cumulative effect of change in accounting principles	306,893	252,550	291,569
Income taxes	106,981	96,979	112,254
Earnings before cumulative effect of change in accounting principles	199,912	155,571	179,315
Cumulative effect of change in accounting principles	-	-	(4,282)
Net earnings	$ 199,912	155,571	175,033
Per common share			
Earnings before cumulative effect of change in accounting principles	$ 1.52	1.18	1.34
Net earnings	$ 1.52	1.18	1.31
Cash dividends declared	$ .27	.21	.19

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

(Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation	Treasury Stock	Total Shareholders' Equity
Balance, December 26, 1993	$ 43,898	296,823	920,956	15,006	-	1,276,683
Net earnings	-	-	175,033	-	-	175,033
Purchase of treasury stock	-	-	-	-	(26,140)	(26,140)
Stock option and warrant transactions	145	(14,672)	-	-	9,421	(5,106)
Dividends declared	-	-	(24,573)	-	-	(24,573)
Currency translation	-	-	-	(480)	-	(480)
Balance, December 25, 1994	44,043	282,151	1,071,416	14,526	(16,719)	1,395,417
Net earnings	-	-	155,571	-	-	155,571
Purchase of treasury stock	-	-	-	-	(15,228)	(15,228)
Stock option and warrant transactions	-	(2,872)	-	-	9,536	6,664
Dividends declared	-	-	(28,050)	-	-	(28,050)
Currency translation and other	-	9	2,305	8,924	-	11,238
Balance, December 31, 1995	44,043	279,288	1,201,242	23,450	(22,411)	1,525,612
Net earnings	-	-	199,912	-	-	199,912
Three-for-two stock split	22,027	(22,027)	-	-	-	-
Purchase of treasury stock	-	-	-	-	(83,657)	(83,657)
Stock option and warrant transactions	-	25,063	-	-	24,834	49,897
Dividends declared	-	-	(34,559)	-	-	(34,559)
Currency translation and other	10	598	(3,804)	(1,963)	-	(5,159)
Balance, December 29, 1996	$ 66,080	282,922	1,362,791	21,487	(81,234)	1,652,046

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Fiscal Years Ended in December

(Thousands of Dollars)

	1996	1995	1994
Cash flows from operating activities			
Net earnings	$199,912	155,571	175,033
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	98,201	91,437	85,368
Other amortization	40,064	38,471	36,903
Deferred income taxes	(8,120)	(9,149)	(1,245)
Gain on investments	(18)	(474)	(25,284)
Discontinued development cost	-	13,256	-
Change in operating assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	(22,418)	(66,658)	9,871
Decrease (increase) in inventories	42,959	(64,686)	28,678
(Increase) in prepaid expenses and other current assets	(37,036)	(1,633)	(3,142)
(Decrease) increase in trade payables and other current liabilities	(35,852)	65,860	(22,231)
Other	2,301	5,405	(166)
Net cash provided by operating activities	279,993	227,400	283,785
Cash flows from investing activities			
Additions to property, plant and equipment	(101,946)	(100,639)	(110,944)
Investments and acquisitions, net of cash acquired	(33,027)	(117,406)	(192,379)
Sale of investments	318	1,715	59,322
Other	7,369	6,999	(177)
Net cash utilized by investing activities	(127,286)	(209,331)	(244,178)

HASBRO, INC. AND SUBSIDIARIES

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

(Thousands of Dollars)

	1996	1995	1994
Cash flows from financing activities			
Proceeds from borrowings with original maturities of more than three months	265,017	433,646	-
Repayments of borrowings with original maturities of more than three months	(255,636)	(416,515)	(53,736)
Net (payments) proceeds of other short-term borrowings	(6,116)	20,997	18,938
Purchase of common stock	(83,657)	(15,228)	(26,140)
Stock option and warrant transactions	17,745	6,664	(5,106)
Dividends paid	(32,959)	(27,190)	(23,711)
Net cash (utilized) provided by financing activities	(95,606)	2,374	(89,755)
Effect of exchange rate changes on cash	840	3,559	922
Increase (decrease) in cash and cash equivalents	57,941	24,002	(49,226)
Cash and cash equivalents at beginning of year	161,030	137,028	186,254
Cash and cash equivalents at end of year	$218,971	161,030	137,028

Supplemental information			
Cash paid during the year for			
Interest	$ 29,430	39,050	33,471
Income taxes	$ 92,670	81,179	99,601

See accompanying notes to consolidated financial statements

(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 (Hasbro or 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 amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

Fiscal Year

Hasbro's fiscal year ends on the last Sunday in December. The fiscal years ended December 29, 1996 and December 25, 1994 were fifty-two week periods while the fiscal year ended December 31, 1995 was a fifty-three week period.

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.

Long-Lived Assets

During the first quarter of 1996, Hasbro adopted Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of (SFAS 121). The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Adoption of SFAS 121 had no material impact to the Company.

Cost in Excess of Net Assets Acquired and Other Intangibles

Approximately 90% of Hasbro'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.

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 other product-related rights. Approximately 34% of these other intangibles relate to the acquisition of Milton Bradley and Tonka and an additional 49% relates to Hasbro'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

Hasbro 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

Hasbro, 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.

Hasbro has a contributory postretirement health and life insurance plan covering substantially all employees who retire under any of its 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.

Research and Development

Research and product development costs for 1996, 1995 and 1994 were $152,487, $148,057 and $135,406, 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.

Risk Management Contracts

Hasbro does not enter into derivative financial instruments for speculative purposes. In the normal course of business, however, the Company employs off-balance sheet forward exchange contracts to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses deferred under hedge accounting provisions are subsequently included in the measurement of the related foreign currency transaction.

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.

The weighted average number of shares outstanding, adjusted to reflect the three-for-two stock split declared February 19, 1997 (note 9), used in the computation of earnings per common share was 131,856,140, 132,379,059 and 133,996,128 in 1996, 1995 and 1994, respectively.

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

(2) Acquisitions

During February 1995, Hasbro 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.

(3) Inventories

	1996	1995
Finished products	$209,903	240,126
Work in process	16,810	22,093
Raw materials	46,534	53,401
	$273,247	315,620

(4) Property, Plant and Equipment

	1996	1995
Land and improvements	$ 14,543	14,845
Buildings and improvements	205,408	207,129
Machinery and equipment	257,499	229,882
	477,450	451,856
Less accumulated depreciation	215,172	187,650
	262,278	264,206
Tools, dies and molds, net of amortization	51,267	49,034
	$313,545	313,240

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

(5) Short-Term Borrowings

Hasbro has available unsecured committed and uncommitted lines of credit from various banks approximating $550,000 and $790,000, respectively. Substantially all of the short-term borrowings outstanding at the end of 1996 and 1995 represent bank borrowings related to international units made under these lines of credit. The weighted average interest rates of the outstanding borrowings were 5.0% and 6.2%, respectively. Hasbro'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 creditworthiness. 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

	1996	1995
Royalties	$ 81,053	77,752
Advertising	83,694	111,853
Payroll and management incentives	32,879	36,205
Other	202,270	207,757
	$399,896	433,567

(7) Long-Term Debt

Long-term debt of $149,382 and $149,991 at December 29, 1996 and December 31, 1995, respectively, consists of Hasbro's 6% Convertible Subordinated Notes Due 1998. These notes are convertible into common stock at a conversion price of $19.55 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:

	1996	1995	1994
Current			
United States	$ 58,580	54,979	60,539
State and local	9,033	9,309	10,417
International	47,488	41,840	42,543
	115,101	106,128	113,499
Deferred			
United States	4,309	(5,122)	1,924
State and local	406	(483)	180
International	(12,835)	(3,544)	(3,349)
	(8,120)	(9,149)	(1,245)
	$106,981	96,979	112,254

Certain tax benefits are not reflected in income taxes in the statements of earnings. Such benefits of $6,793 in 1996, $6,532 in 1995 and $9,800 in 1994, relate primarily to stock options.

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

	1996	1995	1994
Statutory income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax effect	2.0	2.3	2.4
Amortization of goodwill	1.6	1.9	1.6
International earnings taxed at rates other than the United States statutory rate	(1.1)	(.3)	(.7)
Reduction of valuation allowance	(1.1)	-	-
Other, net	(1.5)	(.5)	.2
	34.9%	38.4%	38.5%

The components of earnings before income taxes are as follows:

	1996	1995	1994
United States	$208,864	151,094	177,672
International	98,029	101,456	113,897
	$306,893	252,550	291,569

The components of deferred income tax expense arise from various temporary differences and relate to items included in the statements of earnings.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 29, 1996 and December 31, 1995 are:

	1996	1995
Deferred tax assets:		
Accounts receivable	$ 25,643	28,433
Inventories	10,650	14,671
Net operating loss carryovers	24,266	18,677
Operating expenses	34,039	36,024
Postretirement benefits	12,136	11,834
Other	39,971	39,281
Gross deferred tax assets	146,705	148,920
Valuation allowance	(7,724)	(15,869)
Net deferred tax assets	138,981	133,051
Deferred tax liabilities:		
Property rights and property, plant and equipment	52,229	59,760
Other	9,563	6,787
Gross deferred tax liabilities	61,792	66,547
Net deferred income taxes	$ 77,189	66,504

Hasbro has a valuation allowance for deferred tax assets at December 29, 1996 of $7,724, which is a decrease of $8,145 from the $15,869 at December 31, 1995. Such decrease relates primarily to the current and expected future utilization of certain international tax losses from prior years. The remaining allowance pertains to other 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 $7,724.

Based on Hasbro's history of taxable income and the anticipation of sufficient taxable income in years when the temporary differences are expected to become tax deductions, it believes that it will realize the benefit of the deferred tax assets, net of the existing valuation allowance. Of the deferred tax assets, approximately 67% are expected to be realized during the next two fiscal years.

Deferred income taxes of $78,031 and $85,849 at the end of 1996 and 1995, respectively, are included as a component of prepaid expenses and other current assets, and $16,123 and $4,007, respectively, are included as a component of other assets. At the same dates, deferred income taxes of $16,017 and $22,198, respectively, are included as a component of deferred liabilities.

The cumulative amounts of undistributed earnings of Hasbro's international subsidiaries held for reinvestment amounted to approximately $307,000 at December 29, 1996 and $289,000 at December 31, 1995.

(9) Capital Stock

Preference Share Purchase Rights

Hasbro 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 Hasbro'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 Hasbro'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 Hasbro (the Board), receive shares of Hasbro's stock in exchange for Rights.

Prior to the acquisition by the person or group of beneficial ownership of a certain percentage of Hasbro's common stock, the Rights are redeemable for $.00444 per Right. The Rights Plan contains certain exceptions with respect to the Hassenfeld family and related entities.

Common Stock

On February 19, 1997, the Board declared a three-for-two stock split, payable in the form of a 50% stock dividend, on March 21, 1997 to shareholders of record on March 7, 1997. Appropriate changes, to reflect the split, have been effected in the stock options and other securities exercisable for or convertible into Hasbro's common stock.

Except for the balance sheet presentation of the December 31, 1995 outstanding and treasury shares, all share and per share amounts have been adjusted to reflect this split.

In August 1990, the Board authorized the purchase of up to 6,750,000 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 7,500,000 shares. At December 29, 1996, a balance of 5,685,750 shares remained under these authorizations.

(10) Employee Stock Options and Warrants

Hasbro has a Non-Qualified Stock Option Plan, an Incentive Stock Option Plan, a 1992 Stock Incentive Plan, a Stock Incentive Performance Plan and a Stock Option Plan for Non-Employee Directors (collectively, the plans). During 1996, Hasbro adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 (SFAS 123) but, as permitted, continues to apply Accounting Principles Board Opinion No. 25 (APB 25) in accounting for the plans. Under APB 25, no compensation cost is recognized. A comparison of the Company's net earnings and earnings per share as reported and pro forma as they would have been had compensation cost been determined consistent with SFAS 123 follows:

	1996	1995
Net earnings: As reported	$199,912	155,571
Pro forma	196,911	154,802
Earnings per share: As reported	$ 1.52	1.18
Pro forma	1.49	1.17

As the provisions of SFAS 123 have not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

Hasbro has reserved 14,955,055 shares of its common stock 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.

The changes in outstanding options and warrants for the three years ended December 29, 1996 follow:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at December 26, 1993	10,684	$16.11
Granted	1,869	19.97
Exercised	(2,991)	11.67
Expired or canceled	(757)	19.15
Outstanding at December 25, 1994	8,805	18.17
Granted	1,108	22.71
Exercised	(475)	11.34
Expired or canceled	(561)	20.91
Outstanding at December 31, 1995	8,877	18.93
Granted	6,339	21.75
Exercised	(1,236)	14.47
Expired or canceled	(345)	22.17
Outstanding at December 29, 1996	13,635	$20.56

The number of shares exercisable and the weighted average exercise price for such shares at the end of 1996, 1995 and 1994 were 6,585,280 at $19.32, 4,727,262 at $16.89 and 3,264,852 at $14.63, respectively. At the end of 1996, by range of exercise prices, the number of shares represented by outstanding options and warrants with their weighted average exercise price and weighted average remaining contractual life, in years, and the number of shares represented by exercisable options and warrants with their weighted average exercise price were:

Exercise Price	Outstanding Shares	Outstanding Price	Outstanding Life	Exercisable Shares	Exercisable Price
$ 5.06 - 9.83	955,623	$ 7.57	3.1	955,623	$ 7.57
$16.67 - 19.75	2,291,923	$18.39	6.7	1,575,507	$18.30
$20.21 - 28.99	10,387,438	$22.23	6.8	4,054,150	$22.48

The weighted average fair value of options granted in 1996 and 1995 were $6.93 and $6.44, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1996 and 1995, respectively: risk-free interest rates of 5.51% and 7.19%; expected dividend yields of 1.13% and 1.18%; expected volatility of approximately 21% and lives of 5.9 years for both years.

(11) Pension, Postretirement and Postemployment Benefits

Pension Benefits

Hasbro's net pension and profit sharing cost for 1996, 1995 and 1994 was approximately $15,700, $12,200 and $12,500, 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:

	1996	1995	1994
Benefits earned during the year	$ 8,583	6,304	7,029
Interest cost on projected benefits	9,868	9,492	8,219
Actual return on plan assets	(23,227)	(31,154)	(521)
Net amortization and deferral	11,763	21,153	(8,429)
	$ 6,987	5,795	6,298

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

	1996		1995	
	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	$103,870	6,591	98,149	8,303
Nonvested benefits	3,205	673	3,162	199
Accumulated benefit obligation	107,075	7,264	101,311	8,502
Effect of assumed increase in compensation level	29,542	3,469	27,972	5,997
Projected benefit obligation	136,617	10,733	129,283	14,499
Net assets available for benefits	162,641	-	137,292	919
Plan assets in excess of (less than) projected benefits	$ 26,024	(10,733)	8,009	(13,580)
Consisting of:				
Unrecognized net asset	$ 1,372	-	1,715	-
Unrecognized prior service cost	(6,085)	(4,474)	(815)	(4,310)
Unrecognized net gain (loss)	32,406	2,818	9,407	(1,984)
Accrued pension recognized in the balance sheet	(1,669)	(9,077)	(2,298)	(7,286)
	$ 26,024	(10,733)	8,009	(13,580)

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 7.75% for 1996, 7.25% for 1995 and 8.5% for 1994 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%.

Hasbro 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 1996, 1995 and 1994 was approximately $5,000, $4,800 and $5,100, respectively.

International Plans

Pension coverage for employees of Hasbro'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.

Postretirement Benefits

Hasbro 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 29, 1996 and December 31, 1995 consists of:

	1996	1995
Retired employees	$17,632	17,873
Fully eligible active employees	1,021	952
Other active employees	5,909	5,322
	$24,562	24,147

The net periodic postretirement benefit cost included the following components:

	1996	1995	1994
Benefits earned during the period	$ 289	267	403
Interest cost on projected benefits	1,727	1,822	1,709
	$ 2,016	2,089	2,112

For measuring the expected postretirement benefit obligation, an 8.6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1996 and a rate of 9.2% for 1995 and 1994. The 1996 rate was further assumed to decrease gradually to 5% in 2012. The 1995 and 1994 rates were assumed to decrease to 6% over this same period. All were assumed to remain constant after 2012. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.75% in 1996, 7.25% in 1995 and 8.5% in 1994.

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 31, 1996 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

Hasbro 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 Hasbro's employ under terms of its long-term disability plan.

At the beginning of 1994, Hasbro adopted Statement of Financial Accounting Standards No. 112 (SFAS 112). 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.

(12) Leases

Hasbro 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 1996, 1995 and 1994 amounted to $46,092, $43,486 and $39,186, respectively.

Minimum rentals, net of minimum sublease income which is not material, under long-term operating leases for the five years subsequent to 1996 and in the aggregate are as follows:

1997	$ 33,749
1998	24,539
1999	20,056
2000	15,619
2001	13,995
Later years	100,452
	$208,410

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 1996.

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

(13) Discontinued Development Project and Restructuring Charges

During the second quarter of 1995, Hasbro 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. Substantially all of the liabilities established for this action have been paid.

During the third quarter of 1994, Hasbro 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, have been paid.

(14) Financial Instruments

Hasbro'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 29, 1996, 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.

Hasbro enters 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

Hasbro had unused open letters of credit of approximately $20,000 and $18,000 at December 29, 1996 and December 31, 1995, respectively.

Hasbro had the equivalent of approximately $35,000 and $42,000 of forward exchange contracts outstanding at December 29, 1996 and December 31, 1995, 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.

Hasbro 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

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

Information about Hasbro'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 1996 follows. Hasbro'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.

	1996	1995	1994
Net revenues:			
United States	$1,642,569	1,550,454	1,530,928
International	1,359,801	1,307,756	1,139,334
	$3,002,370	2,858,210	2,670,262
Operating profit:			
United States	$ 201,312	146,841	169,782
International	130,955	126,731	125,895
	$ 332,267	273,572	295,677
Identifiable assets:			
United States	$1,793,915	1,782,276	1,612,982
International	907,594	834,112	765,393
	$2,701,509	2,616,388	2,378,375

Certain of Hasbro's international units sell products, primarily on a letter of credit basis, directly to United States customers, and certain United States units sell products to international customers, primarily in Latin America. Were such transactions reported by the geographic destination of the sale rather than the geographic location of the unit making the sale, United States revenues would be increased and international revenues decreased by $135,010, $71,998 and $36,666 in 1996, 1995 and 1994, respectively.

Other Information

Hasbro markets its products primarily to customers in the retail sector. Although the Company closely monitors the creditworthiness 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 22% and 13%, respectively, of consolidated net revenues during 1996 and 21% and 12%, respectively, during each of 1995 and 1994.

Hasbro 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 Hasbro were 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 Hasbro from, or the loss of "most favored nation" trading status by the Peoples Republic of China could significantly increase the cost of the Company's products imported into the United States from China.

(17) Quarterly Financial Data (Unaudited)

1996

	Quarter First	Second	Third	Fourth	Full Year
Net revenues	$538,685	511,609	845,148	1,106,928	3,002,370
Gross profit	$300,914	277,425	472,875	622,259	1,673,473
Earnings before income taxes	$ 39,109	9,143	104,934	153,707	306,893
Net earnings	$ 24,365	5,986	70,469	99,092	199,912
Per common share					
Earnings	$ .18	.05	.54	.75	1.52
Market price					
High	$ 31 1/4	25 3/4	25 1/2	29 3/8	31 1/4
Low	$ 19 1/4	23 1/2	21 1/4	24 5/8	19 1/4
Cash dividends declared	$ .07	.07	.07	.07	.27

1995

	Quarter 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)	$ .16	(.11)	.48	.64	1.18
Market price					
High	$ 22 1/2	23 1/2	22 1/4	21 3/4	23 1/2
Low	$ 18 7/8	20 7/8	19 3/4	19	18 7/8
Cash dividends declared	$ .05	.05	.05	.05	.21

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	$ .20	.01	.56	.57	1.34
Earnings	$ .17	.01	.56	.57	1.31
Market price					
High	$ 24 3/8	24	21 3/8	22 1/4	24 3/8
Low	$ 22 1/4	18 3/4	18 3/4	18 1/2	18 1/2
Cash dividends declared	$ .05	.05	.05	.05	.19

(a) Includes the effect of nonrecurring charges in 1995 of $31,100 relating to a discontinued development project and in 1994, $12,500 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 Far East Services, Ltd.	Hong Kong
Hasbro Interactive, Inc.	Delaware
Hasbro International, Inc.	Delaware
Groupe Hasbro France S.A.	France
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 Ireland Limited	Ireland
Hasbro Italy S.r.l.	Italy
Hasbro Japan K.K.	Japan
Hasbro New Zealand Limited	New Zealand
Hasbro Osterreich Ges.m.b.H	Austria
Hasbro (Schweiz) AG	Switzerland
Hasbro U.K. Limited	United Kingdom
Hasbro Interactive 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 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
MB Espana, S.A.	Spain
S.A. Hasbro N.V.	Belgium
Palmyra Holdings Pte Ltd.	Singapore
Hasbro Hong Kong Limited	Hong Kong
Hasbro Singapore Pte Ltd.	Singapore
Hasbro Toy (Malaysia) Sdn Bhd	Malaysia
Hasbro International Trading, Inc.	Delaware
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 5, 1997 relating to the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 29, 1996 and December 31, 1995 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 29, 1996, 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 29, 1996.

/s/ KPMG Peat Marwick LLP

Providence, Rhode Island

March 26, 1997

5

YEAR
DEC-29-1996
DEC-29-1996
218,971
0
853,749
46,600
273,247
1,486,589
528,717
215,172
2,701,509
830,818
149,382
0
0
66,080
1,585,966
2,701,509
3,002,370
3,002,370
1,328,897
1,328,897
777,561
5,834
31,465
306,893
106,981
199,912
0
0
0
199,912
1.52
0