SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 25, 2005 Commission file number 1-6682

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

Rhode Island
(State of Incorporation)

05-0155090
(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02862
(Address of Principal Executive Offices, Including Zip Code)

(401) 431-8697
(Registrant's Phone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ or No __

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

Yes _X_ or No __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ or No _X_

The number of shares of Common Stock, par value $.50 per share, outstanding as of October 21, 2005 was 178,349,670.

PART I. FINANCIAL INFORMATION

ITEM 1: Financial Statements

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Thousands of Dollars Except Share Data)
(Unaudited)

Assets	Sept. 25, 2005	Sept. 26, 2004	Dec. 26, 2004
Current assets			
Cash and cash equivalents	$ 570,499	305,089	725,002
Accounts receivable, less allowance for doubtful accounts of $36,700, $40,500 and $37,000	681,469	697,430	578,705
Inventories	330,779	317,120	194,780
Deferred income taxes	96,321	110,437	93,134
Prepaid expenses	99,386	147,985	126,601
Total current assets	1,778,454	1,578,061	1,718,222
Property, plant and equipment, net	160,392	195,208	206,934
Other assets			
Goodwill	467,572	473,271	469,726
Other intangibles, less accumulated amortization of $568,400, $482,500 and $489,200	635,166	664,452	637,929
Other	230,056	211,246	207,849
Total other assets	1,332,794	1,348,969	1,315,504
Total assets	$ 3,271,640	3,122,238	3,240,660

(continued)

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (continued)
(Thousands of Dollars Except Share Data)
(Unaudited)

Liabilities and Shareholders' Equity	Sept. 25, 2005	Sept. 26, 2004	Dec. 26, 2004
Current liabilities			
Short-term borrowings	$ 13,854	16,356	17,959
Current portion of long-term debt	354,809	1,356	324,124
Accounts payable	179,031	188,831	167,585
Accrued liabilities	649,744	635,465	638,943
Total current liabilities	1,197,438	842,008	1,148,611
Long-term debt, excluding current portion	246,480	632,411	302,698
Deferred liabilities	157,097	146,169	149,627
Total liabilities	1,601,015	1,620,588	1,600,936
Shareholders' equity			
Preference stock of $2.50 par value. Authorized 5,000,000 shares; none issued	-	-	-
Common stock of $.50 par value. Authorized 600,000,000 shares; issued 209,694,630	104,847	104,847	104,847
Additional paid-in capital	361,767	383,849	380,745
Deferred compensation	(38)	(248)	(98)
Retained earnings	1,790,715	1,649,930	1,721,209
Accumulated other comprehensive earnings	28,775	20,785	82,388
Treasury stock, at cost; 31,169,414 shares at September 25, 2005, 32,720,445 at September 26, 2004 and 32,379,369 at December 26, 2004	(615,441)	(657,513)	(649,367)
Total shareholders' equity	1,670,625	1,501,650	1,639,724
Total liabilities and shareholders' equity	$ 3,271,640	3,122,238	3,240,660

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Thousands of Dollars Except Per Share Data)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Net revenues	$ 988,052	947,312	2,015,384	1,937,992
Cost of sales	444,775	423,458	835,516	817,531
Gross profit	543,277	523,854	1,179,868	1,120,461
Expenses				
Amortization	28,167	16,888	79,852	47,881
Royalties	66,539	65,087	158,206	131,747
Research and product development	39,387	39,257	106,942	108,636
Advertising	118,845	129,403	238,009	243,751
Selling, distribution and administration	162,061	151,179	439,921	429,005
Total expenses	414,999	401,814	1,022,930	961,020
Operating profit	128,278	122,040	156,938	159,441
Nonoperating (income) expense				
Interest expense	7,816	8,257	23,196	24,488
Other (income) expense, net	(5,864)	(5,513)	(22,049)	(15,606)
Total non-operating (income) expense	1,952	2,744	1,147	8,882
Earnings before income taxes	126,326	119,296	155,791	150,559
Income taxes	34,263	30,609	37,987	36,501
Net earnings	$ 92,063	88,687	117,804	114,058
Net earnings per common share				
Basic	$ .51	.50	.66	.65
Diluted	$ .47	.43	.61	.52
Cash dividends declared per common share	$ .09	.06	.27	.18

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Nine Months Ended September 25, 2005 and September 26, 2004
(Thousands of Dollars)
(Unaudited)

	2005	2004
Cash flows from operating activities		
Net earnings	$ 117,804	114,058
Adjustments to reconcile net earnings to net cash utilized by operating activities:		
Depreciation and amortization of plant and equipment	57,525	55,138
Other amortization	79,852	47,881
Loss on early extinguishment of debt	-	1,072
Change in fair value of liabilities potentially settleable in common stock	(1,330)	(15,370)
Deferred income taxes	(11,505)	22,969
Compensation earned under restricted stock programs	60	164
Change in operating assets and liabilities (other than cash and cash equivalents):		
Increase in accounts receivable	(116,790)	(78,432)
Increase in inventories	(139,504)	(146,373)
Decrease (increase) in prepaid expenses and other current assets	44,972	(6,298)
Decrease in accounts payable and accrued liabilities	(4,818)	(79,728)
Long-term advances and other	(30,830)	(8,820)
Net cash utilized by operating activities	(4,564)	(93,739)
Cash flows from investing activities		
Additions to property, plant and equipment	(45,604)	(55,265)
Investments and acquisitions	(79,109)	(9,824)
Proceeds from sale of property, plant and equipment	32,950	4,333
Other	91	805
Net cash utilized by investing activities	(91,672)	(59,951)
Cash flows from financing activities		
Repurchases of and repayments of borrowings with original maturities of more than three months	(21,329)	(50,385)
Net repayments of other short-term borrowings	(4,154)	(6,803)
Purchase of common stock	(31,777)	-
Stock option transactions	41,529	21,249
Dividends paid	(42,860)	(26,467)
Net cash utilized by financing activities	(58,591)	(62,406)
Effect of exchange rate changes on cash	324	438
Decrease in cash and cash equivalents	(154,503)	(215,658)
Cash and cash equivalents at beginning of year	725,002	520,747
Cash and cash equivalents at end of period	$ 570,499	305,089

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
Nine Months Ended September 25, 2005 and September 26, 2004
(Thousands of Dollars)
(Unaudited)

	2005	2004
Supplemental information		
Cash paid during the period for:		
Interest	$25,630	29,255
Income taxes	$12,903	30,623

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings
(Thousands of Dollars)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Net earnings	$ 92,063	88,687	117,804	114,058
Other comprehensive earnings (loss)	(7,091)	3,839	(53,613)	(9,699)
Total comprehensive earnings	$ 84,972	92,526	64,191	104,359

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements
(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(1) In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of September 25, 2005 and September 26, 2004, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP 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.

The quarterly and year to date periods ended September 25, 2005 and September 26, 2004 are 13-week and 39-week periods, respectively.

The results of operations for the nine months ended September 25, 2005 are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The Company filed audited financial statements for the year ended December 26, 2004 in its annual report on Form 10-K, which includes all such information and disclosures, and accordingly, should be read in conjunction with the financial information included herein.

The Company's accounting policies are the same as those described in Note 1 to the Company's consolidated financial statements for the fiscal year ended December 26, 2004. Substantially all of the Company's inventories consist of finished goods.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)
(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(2) Earnings per share data for the fiscal quarters and nine months ended September 25, 2005 and September 26, 2004 were computed as follows:

Quarter	2005 Basic	2005 Diluted	2004 Basic	2004 Diluted
Net earnings	$ 92,063	92,063	88,687	88,687
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(570)	-	(5,150)
Interest expense on contingent convertible debentures due 2021	-	1,066	-	1,066
Adjusted net earnings	$ 92,063	92,559	88,687	84,603
Average shares outstanding	178,931	178,931	176,885	176,885
Effect of dilutive securities:				
Liabilities potentially settleable in common stock	-	5,243	-	5,918
Contingent convertible debentures due 2021	-	11,574	-	11,574
Options and warrants	-	2,544	-	1,730
Equivalent shares	178,931	198,292	176,885	196,107
Net earnings per share	$ .51	.47	.50	.43

(Thousands of Dollars and Shares Except Per Share Data)

	2005		2004	
Nine Months	Basic	Diluted	Basic	Diluted
Net earnings	$117,804	117,804	114,058	114,058
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(1,330)	-	(15,370)
Interest expense on contingent convertible debentures due 2021	-	3,197	-	3,197
Adjusted net earnings	$117,804	119,671	114,058	101,885
Average shares outstanding	178,386	178,386	176,348	176,348
Effect of dilutive securities:				
Liabilities potentially settleable in common stock	-	5,320	-	5,548
Contingent convertible debentures due 2021	-	11,574	-	11,574
Options and warrants	-	2,340	-	2,488
Equivalent shares	178,386	197,620	176,348	195,958
Net earnings per share	$ .66	.61	.65	.52

In December 2004 the Company adopted Emerging Issues Task Force ("EITF") Issue 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share", which states that the dilutive effect of contingent convertible debt instruments must be included in dilutive earnings per share regardless of whether the triggering contingency has been satisfied. EITF Issue 04-8 requires application on a retroactive basis and restatement of prior period earnings per share, and was effective for periods ending after December 15, 2004. For the quarter and nine months ended September 25, 2005 and September 26, 2004, the effect of the assumed conversion was dilutive and accordingly, for the diluted earnings per share calculation, the numerator includes an adjustment to earnings for the interest expense incurred for these debentures and the denominator includes an adjustment for the shares issuable upon conversion.

Certain warrants containing a put feature that may be settled in cash or common stock are required to be accounted for as a liability at fair value. The Company is required to assess if these warrants, classified as a liability, have a more dilutive impact on earnings per share when treated as an equity contract. For the quarters and nine months ended September 25, 2005 and September 26, 2004, the warrants had a more dilutive impact on earnings per share assuming they were treated as an equity contract. Accordingly, for the diluted earnings per share calculation for these periods, the numerator includes an adjustment to earnings for the income included therein related to the fair market value adjustment and the denominator includes an adjustment for the shares issuable as of quarter end.

(Thousands of Dollars and Shares Except Per Share Data)

Options and warrants to acquire shares totaling 2,929 at September 25, 2005 and 10,292 at September 26, 2004 were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

(3) Hasbro uses the intrinsic-value method of accounting for stock options granted to employees. As required by the Company's existing stock plans, stock options are granted at, or above, the fair market value of the Company's stock, and, accordingly, no compensation expense is recognized for these grants in the consolidated statements of operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. Had compensation expense been recorded under the fair value method as set forth in the provisions of Statement of Financial Accounting Standards No. 123 for stock options awarded, the impact on the Company's net earnings and net earnings per share for the fiscal quarters and nine months ended September 25, 2005 and September 26, 2004 would have been:

	Quarter Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Reported net earnings	$ 92,063	88,687	117,804	114,058
Add:				
Stock-based employee compensation expense included in reported net earnings, net of tax	9	(4)	38	118
Deduct:				
Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(4,110)	(3,683)	(11,075)	(10,223)
Pro forma net earnings	$ 87,962	85,000	106,767	103,953
Reported net earnings per share				
Basic	$ .51	.50	.66	.65
Diluted	$ .47	.43	.61	.52
Pro forma net earnings per share				
Basic	$ .49	.48	.60	.59
Diluted	$ .45	.41	.55	.47

(Thousands of Dollars and Shares Except Per Share Data)

(4) Other comprehensive earnings (loss) for the quarter and nine months ended September 25, 2005 and September 26, 2004 consist of the following:

		Quarter Ended		Nine Months Ended	
		Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Foreign currency translation adjustments	$	(1,900)	5,632	(57,507)	(3,941)
Changes in value of available-for-sale securities, net of tax		(909)	(2,473)	2,295	(9,859)
Losses on cash flow hedging activities, net of tax		(4,061)	(933)	(530)	(1,067)
Reclassifications to earnings, net of tax		(221)	1,613	2,129	5,168
Other comprehensive earnings (loss)	$	(7,091)	3,839	(53,613)	(9,699)

Reclassification adjustments from other comprehensive earnings (loss) to net earnings of $(221) and $2,129 for the quarter and nine months ended September 25, 2005, and $1,613 and $5,168 for the quarter and nine months ended September 26, 2004 represent net (gains) losses on cash flow hedging derivatives for which the related transaction has impacted earnings and was reflected in the statement of operations. The (gains) losses on cash flow hedging derivatives for the quarter and nine months ended September 25, 2005 include gains on cash flows reclassified to earnings as the result of hedge ineffectiveness of $(462) and $(516) for the respective periods. The (gains) losses on cash flow hedging derivatives for the quarter and nine months ended September 26, 2004 are net of losses on cash flows reclassified to earnings as the result of hedge ineffectiveness of $13 and $157, respectively. The Company expects the remaining deferred l oss on derivative hedging instruments at September 25, 2005 of $3,018 in accumulated other comprehensive earnings to be reclassified to earnings during the remainder of 2005 and in 2006.

(Thousands of Dollars and Shares Except Per Share Data)

(5) The components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarters and nine months ended September 25, 2005 and September 26, 2004 are as follows:

	Quarter Ended			
	Pension		Postretirement	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Service cost	$ 2,971	2,641	144	151
Interest cost	4,545	4,233	500	571
Expected return on assets	(4,690)	(4,129)	-	-
Net amortization and deferrals	886	764	88	134
Net periodic benefit cost	$ 3,712	3,509	732	856

	Nine Months Ended			
	Pension		Postretirement	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Service cost	$ 8,914	7,913	432	453
Interest cost	13,634	12,674	1,500	1,713
Expected return on assets	(14,070)	(12,365)	-	-
Net amortization and deferrals	2,660	2,287	263	402
Net periodic benefit cost	$ 11,138	10,509	2,195	2,568

During fiscal 2005 the Company has made cash contributions to its pension plans of approximately $11,163. The Company expects to contribute approximately $2,000 during the remainder of fiscal 2005.

(6) Hasbro is a worldwide leader in children’s and family leisure time and entertainment products and services, including the design, manufacture and marketing of games and toys. The Company's main reportable segments are U.S. Toys, Games, and International. The Company has one other segment, Operations, which meets the quantitative thresholds for reportable segments.

In the United States, the U.S. Toys segment includes the design, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, electronic toys and plush products, children's consumer electronics, preschool toys and infant products, creative play products, electronic interactive products, electronic learning aids, and toy-related specialty products. The Games segment includes the development, manufacturing, marketing and selling of traditional board games and puzzles, DVD-based games, handheld electronic games, plug and play electronic games and trading card and role-playing games. Within the International segment, the Company develops, manufactures, markets and sells both toy and certain game products in non-U.S. markets. The Operations segment sources finished product for the majority of the Company's segments. The Company also has other segments that primarily license out certain toy and game properties. These o ther segments do not meet the quantitative thresholds for reportable segments and have been combined for reporting purposes.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are general corporate expenses, the elimination of intersegment transactions and certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs are allocated to segments based upon foreign exchange rates fixed at the beginning of the year, with adjustment to actual foreign exchange rates included in Corporate and eliminations.

The accounting policies of the segments are the same as those referenced in Note 1.

Results shown for the quarter and nine months are not necessarily representative of those that may be expected for the full year 2005, nor were those of the comparable 2004 periods representative of those actually experienced for the full year 2004. Similarly, such results are not necessarily representative of those which would be achieved were each segment an unaffiliated business enterprise.

(Thousands of Dollars and Shares Except Per Share Data)

Information by segment and a reconciliation to reported amounts for the quarter and nine months ended September 25, 2005 and September 26, 2004 are as follows.

	Quarter Ended			
	September 25, 2005		September 26, 2004	
Net revenues	External	Affiliate	External	Affiliate
U.S. Toys	$ 393,112	217	369,703	958
Games	252,927	5,695	236,501	9,514
International	333,052	203	331,554	173
Operations (a)	211	425,909	1,100	352,902
Other segments	8,750	-	8,454	-
Corporate and eliminations	-	(432,024)	-	(363,547)
	$ 988,052	-	947,312	-

	Nine Months Ended			
	September 25, 2005		September 26, 2004	
Net revenues	External	Affiliate	External	Affiliate
U.S. Toys	$ 768,925	727	689,254	2,506
Games	494,863	15,895	525,701	23,094
International	721,179	978	691,480	878
Operations (a)	458	731,459	2,095	632,927
Other segments	29,959	-	29,462	-
Corporate and eliminations	-	(749,059)	-	(659,405)
	$ 2,015,384	-	1,937,992	-

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)
(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Operating profit (loss)				
U.S. Toys	$ 33,967	20,848	56,527	14,892
Games	45,477	46,418	60,125	94,713
International	44,993	48,766	40,824	41,490
Operations (a)	16,913	10,611	18,929	11,987
Other segments	650	1,616	8,273	5,101
Corporate and eliminations (b)	(13,722)	(6,219)	(27,740)	(8,742)
	$ 128,278	122,040	156,938	159,441

	Sept. 25, 2005	Sept. 26, 2004
Total assets		
U.S. Toys	$ 1,094,091	969,238
Games	1,716,732	1,573,472
International	1,484,756	1,429,562
Operations	693,450	545,773
Other segments	109,584	171,217
Corporate and eliminations (b)	(1,826,973)	(1,567,024)
	$ 3,271,640	3,122,238

(Thousands of Dollars and Shares Except Per Share Data)

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

(b) Certain intangible assets, primarily goodwill, which benefit operating segments are reflected as Corporate assets for segment reporting purposes. These amounts have been allocated to the reporting unit which benefits from their use. In addition, allocations of certain expenses related to these assets to the individual operating segments are done prior to the start of the year based on budgeted amounts. Any difference between actual and budgeted amounts are reflected in the Corporate segment.
The following table presents consolidated net revenues by class of principal products for the quarters and nine month periods ended September 25, 2005 and September 26, 2004. Certain 2004 amounts have been reclassified to conform to the current year presentation.

		Quarter Ended		Nine Months Ended	
		Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Boys' toys	$	236,200	201,300	587,800	464,700
Games and puzzles		379,100	358,100	757,600	777,500
Preschool toys		75,800	89,300	145,700	174,600
Creative play		51,700	50,000	95,300	107,200
Electronic toys		143,200	165,300	192,200	226,600
Girls toys		69,200	53,400	144,500	102,300
Other		32,852	29,912	92,284	85,092
Net revenues	$	988,052	947,312	2,015,384	1,937,992

(7) In May 2005 the Company's Board of Directors authorized the repurchase of up to $350 million in common stock. Purchases of the Company's common stock may be made from time to time, subject to market conditions, and may be made in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the authorization and the timing, actual number, and value of shares which are repurchased will depend on a number of factors, including the price of the Company's common stock. This authorization replaces all prior authorizations. In the third quarter and nine months ended September 25, 2005, the Company repurchased 1,168 and 1,528 shares, respectively, at an average price of $20.89 and $20.76, respectively. The total cost of these repurchases, including transaction costs, for the quarter and nine months ended September 25, 2005 was $24,436 and $31,777, respectively.

(8) On September 9, 2005, the Company purchased the assets and assumed certain liabilities of Wrebbit Inc., a Montreal-based creator and manufacturer of innovative puzzles. The purchase price was approximately $14,100, subject to adjustment. Based on a preliminary allocation of the purchase price, property rights related to acquired product lines of approximately $11,500 were recorded in connection with this acquisition. No goodwill was recorded as a result of this acquisition.

During June 2005 the Company reacquired the digital gaming rights for all its owned or controlled properties from Infogrames Entertainment SA (Infogrames) for $65 million. These rights were previously held by Infogrames on an exclusive basis as a result of a license agreement entered into during 2000 with an expiration date in 2016. The consideration paid to reacquire these rights, which represents fair value, is included as a component of other intangibles in the condensed consolidated balance sheet and will be amortized over a 10-year period. In addition, the Company and Infogrames entered into a new licensing agreement that provides Infogrames exclusive rights to DUNGEONS & DRAGONS and rights to nine other properties for a limited number of platforms. Under the agreement, Hasbro will receive royalty income on Infogrames sales.

(9) On October 22, 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The Act creates a one-time incentive for U.S. corporations to repatriate undistributed earnings from their international subsidiaries by providing an 85% dividends-received deduction for certain international earnings. The deduction is available to corporations during the tax year that includes October 22, 2004 or in the immediately subsequent tax year. The Company is in the process of evaluating whether it will repatriate international earnings under the provisions of the Act. The Company expects to complete its evaluation of the effects of the repatriation provision during the fourth quarter of 2005. The range of possible amounts the Company is considering for repatriation under this provision is between zero and $500,000. The related potential range of income tax under the law as curren tly written is between zero and approximately $40,000.

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

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations
(Thousands of Dollars Except Per Share Data)

EXECUTIVE SUMMARY

The Company earns revenue and generates cash through the sale of a variety of toy and game products both within the United States and in international markets. Most of the Company's products are either internally developed or licensed from outside inventors. In addition to products based on its own core brands, the Company also offers internally developed products tied to licensed movie and television based entertainment and other licensed properties.

The Company's principal business strategies focus on:

- Growing its core brands,
- Developing new and innovative toy and game products, and
- Increasing operating margins by optimizing efficiencies within the Company.

Management views the Company's principal product opportunities as falling into three general categories: core brands, innovative new products and licensed entertainment-based products. Although licensed sales in 2005 represent a significant portion of net revenues due to the theatrical release of STAR WARS EPISODE III: REVENGE OF THE SITH, in the past four years the Company has actively sought to reduce its reliance on products based on theatrical properties and to achieve more consistent performance by focusing greater resources on the development and growth of its core brands and on developing innovative products. The Company intends to continue to offer products based on licensed entertainment properties when it believes it is economically beneficial.

The Company's core brands represent Company-owned or Company–controlled brands, such as G.I. JOE, TRANSFORMERS, MY LITTLE PONY, MONOPOLY, MAGIC: THE GATHERING, PLAYSKOOL and TONKA, which the Company views as presenting potential to be successful over the long term. The Company has a large portfolio of owned and controlled brands, which can be introduced in new formats and platforms over time. While the volatility of consumer preferences and the high level of competition in the toy and game industry make it challenging to maintain the long-term success of product lines, by focusing on its core brands the Company is working to build a more consistent revenue stream and basis for future growth.

In addition to its focus on core brands, the Company’s strategy also involves trying to meet ever changing consumer preferences by identifying and offering innovative products based on market opportunities. In 2004 innovative products such as VIDEONOW COLOR were significant contributors to revenue for the Company. Product offerings for 2005 include the reintroduction of LITTLEST PET SHOP, FURBY, CHAT NOW and I-DOG as well as a variety of plug and play games. The Company believes its strategy of focusing on the development of its core brands and continuing to identify innovative new products will help to prevent the Company from being dependent on the success of any one product line.

While the Company's strategy focuses on growing its core brands and the development of innovative, new products, the Company continues to evaluate and enter into arrangements to license movie and television entertainment-based properties when the Company believes it is economically beneficial. In 2005 the STAR WARS license has been a significant contributor to the Company's net revenues, driven by the May 19, 2005 release of STAR WARS EPISODE III: REVENGE OF THE SITH. Major theatrical entertainment-based licenses in 2004 included DREAMWORKS' SHREK II, DISNEY'S THE INCREDIBLES, and LUCASFILM'S STAR WARS. While gross profits for products related to STAR WARS EPISODE III: REVENGE OF THE SITH are generally higher, the increased gross margin is largely offset by royalty expenses incurred on these sales, as well as amortization expense of related property rights.

In recent years the Company has also focused on reducing its fixed costs and increasing its operating margins. As part of this continuous process, in 2004, the Company reassessed the development process in its U.S. Toys segment, moving a greater amount of product development outside of the U.S., resulting in a streamlining of its U.S. Toys workforce. While the Company has made significant progress in this area over the last few years, it will continue to review its operations in order to determine areas where greater efficiency can be achieved.

The Company's recent strategy has also focused on achieving and maintaining a debt-to-capitalization ratio, defined as total debt, both short-term and long-term, as a percentage of total equity plus total debt, of 25-30%. From 2001 through 2004, as part of this strategy, the Company has repurchased or repaid approximately $547,000 in principal amount of long-term debt, primarily using cash from operations. The Company believes that the reduction in its debt-to-capitalization ratio has further strengthened its balance sheet and improved its liquidity by decreasing cash requirements to service outstanding debt, thereby increasing the ability of the Company to obtain additional financing should the need to do so arise. At September 25, 2005, the Company’s debt-to-capitalization ratio was approximately 27%, which compared to approximately 30% at September 26, 2004 and 28% at December 26, 2004. Due to the seasonal nature o f the business, the Company's debt-to-capitalization ratio normally peaks at the end of the third quarter, when its working capital requirements are greatest. It is the Company's intent to maintain its debt-to-capitalization ratio within the above stated target range.

The Company has also taken some additional initiatives to increase shareholder value. In the first quarter of 2005 the Company increased its quarterly dividend from $0.06 per share to $0.09 per share. In addition, in May 2005, the Company announced the authorization by its Board of Directors to repurchase up to $350 million in common stock. Purchases under this plan are discretionary and the Company may suspend or discontinue the plan at any time. In the second and third quarters of 2005, the Company repurchased an aggregate of 1,528,300 shares at an average price of $20.76 under this authorization.

(Thousands of Dollars Except Per Share Data)

Consolidation in the toy and game industry and associated retail uncertainty has continued into 2005, and includes the recently completed sale of one of the Company's largest customers, Toys 'R Us. The Company's remaining customer base continues to become more concentrated. The Company's top three customers, Wal-Mart Stores, Inc., Toys 'R Us, Inc. and Target Corporation, accounted for approximately 46% of full year net revenues in 2004. These same three customers accounted for approximately 21%, 13%, and 12%, respectively, of net revenues for the nine months ended September 25, 2005, and 19%, 15%, and 10%, respectively, of net revenues for the nine months ended September 26, 2004. The consolidation of customers may provide certain benefits to the Company, such as potentially more efficient product distribution and other decreased costs of sales and distribution, including potential efficiencies related to SKU reductions. H owever, this consolidation also creates additional risks to the Company's business associated with a major customer having financial difficulties or reducing its business with the Company. In addition, increased customer concentration may decrease the prices the Company is able to obtain for some of its products. The Company believes that its strategy of seeking to produce sought after products, which provide value to both consumers and the Company's customers, will help protect the Company from any negative impact resulting from an environment of increasing retail consolidation.

SUMMARY

The relationship between various components of the results of operations, stated as a percent of net revenues, is illustrated below for the fiscal quarters and nine months ended September 25, 2005 and September 26, 2004.

	Quarter		Nine Months	
	2005	2004	2005	2004
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales	45.0	44.7	41.5	42.2
Gross profit	55.0	55.3	58.5	57.8
Amortization	2.9	1.8	4.0	2.5
Royalties	6.7	6.9	7.8	6.8
Research and product development	4.0	4.1	5.3	5.6
Advertising	12.0	13.6	11.8	12.6
Selling, distribution and administration	16.4	16.0	21.8	22.1
Operating profit	13.0	12.9	7.8	8.2
Interest expense	0.8	0.9	1.2	1.2
Other (income) expense, net	(0.6)	(0.6)	(1.1)	(0.8)
Earnings before income taxes	12.8	12.6	7.7	7.8
Income taxes	3.5	3.2	1.9	1.9
Net earnings	9.3%	9.4%	5.8%	5.9%

(Thousands of Dollars Except Per Share Data)

RESULTS OF OPERATIONS

Net earnings for the quarter and nine months ended September 25, 2005 were $92,063 and $117,804, respectively, compared with net earnings of $88,687 and $114,058 for the respective periods of 2004. Basic earnings per share for the quarter and nine months ended September 25, 2005 were $0.51 and $0.66 compared with basic earnings per share of $0.50 and $0.65 for the respective periods in 2004.
Diluted earnings per share were $0.47 and $0.61 for the quarter and nine months ended September 25, 2005, compared with diluted earnings per share of $0.43 and $0.52 for the respective periods in 2004. The 2004 earnings per share amounts have been restated due to the required adoption of EITF 04-08 in the fourth quarter of 2004.

Consolidated net revenues for the quarter ended September 25, 2005 increased 4% to $988,052 compared with $947,312 for the quarter ended September 26, 2004. For the nine months ended September 25, 2005, consolidated net revenues were $2,015,384 compared to $1,937,992 for the nine months ended September 26, 2004, an increase of 4%. For the quarter and nine months ended September 25, 2005, revenues were positively impacted by currency translation of approximately $5,900 and $22,000, respectively. Operating profit for the quarter ended September 25, 2005 was $128,278 compared to $122,040 in the third quarter of 2004. Operating profit for the 2005 nine-month period was $156,938 compared to an operating profit of $159,441 for the nine-month period of 2004. Most of the Company's revenues and operating earnings are derived from its three principal segments: U.S. Toys, Games and International. The following table pr esents net revenues and operating profit data for the Company's three principal segments for the quarter and nine months ending September 25, 2005 and September 26, 2004.

	Quarter			Nine Months		
	2005	2004	% Change	2005	2004	% Change
Net Revenues						
U.S. Toys	$393,112	369,703	6%	768,925	689,254	12%
Games	252,927	236,501	7%	494,863	525,701	(6%)
International	333,052	331,554	.5%	721,179	691,480	4%
Operating Profit						
U.S. Toys	$ 33,967	20,848	63%	56,527	14,892	280%
Games	45,477	46,418	(2%)	60,125	94,713	(37%)
International	44,993	48,766	(8%)	40,824	41,490	(2%)

U.S. TOYS
U.S. Toys segment net revenues for the quarter ended September 25, 2005 increased 6% to $393,112 from $369,703 for the quarter ended September 26, 2004. Net revenues for the nine months ended September 25, 2005 increased 12% to $768,925 from $689,254 for the nine months ended September 26, 2004.

The increase for the quarter and nine months was primarily due to increased shipments of STAR WARS products as a result of the theatrical release of STAR WAR EPISODE III: REVENGE OF THE SITH. In addition, revenues were also positively impacted by sales of LITTLEST PET SHOP and the reintroduction of FURBY, as well as increased sales of NERF products. These increases were partially offset by decreased sales of VIDEONOW, FURREAL FRIENDS, BOOHBAH and BEYBLADE products. Revenues for the nine months ended September 25, 2005 were also negatively impacted by decreased sales of certain licensed products, primarily SHREK and POKEMON products, as well as decreased sales of PLAYSKOOL and G.I. JOE products.

The U.S. Toys segment had an operating profit of $33,967 for the quarter ended September 25, 2005 compared to an operating profit of $20,848 for the quarter ended September 26, 2004. For the nine months ended September 25, 2005, the U.S. Toys segment had an operating profit of $56,527 compared to an operating profit of $14,892 for the nine months ended September 26, 2004.
This increase in operating profit for the quarter primarily related to decreased advertising expense as well as increased gross profit. Increased gross profit was the result of the higher net revenues as well as a change in product mix, due to the increased sales of STAR WARS products which carry a higher gross margin. Advertising decreased due to the sales mix, as a greater percentage of current year sales were STAR WARS products, which do not require as much advertising as core brands. Increased royalties and amortization expense for the quarter as a result of the increased STAR WARS sales were partially offset by decreased royalty expense on other licensed products, including SHREK, DISNEY and BEYBLADE products. The increased operating profit for the nine-month period was the result of increased gross profit, which was partially offset by increased royalties and amortization, driven by the increased sales of STAR WARS products.

GAMES
Games segment net revenues increased by 7% to $252,927 for the quarter ended September 25, 2005 from $236,501 for the quarter ended September 26, 2004. Net revenues for the nine months ended September 25, 2005 decreased 6% to $494,863 from $525,701 for the nine months ended September 26, 2004. The increase for the quarter is due in part to increased sales of plug and play games such as STAR WARS LIGHT SABER, MX DIRT REBEL, DREAMLIFE and WILD ADVENTURE MINI-GOLF. The increase was also due to increased sales of board games including CANDY LAND and MONOPOLY, which partially offset decreased sales of TRIVIAL PURSUIT games. The decrease for the nine-month period primarily relates to lower revenues from trading card games, including sales of MAGIC: THE GATHERING and DUEL MASTERS products, as well as the decreased sales of TRIVIAL PURSUIT games. These decreases have been partially offset by the increased sales of plug and play games.

Games segment operating profit decreased slightly to $45,477 for the quarter ended September 25, 2005 from $46,418 for the quarter ended September 26, 2004. Operating profit for the nine months ended September 25, 2005 decreased to $60,125 from $94,713 for the nine months ended September 26, 2004. Increased gross margin for the quarter was offset by higher shipping costs. The decrease in operating margin for the nine-month period was principally the result of decreased gross profit as the result of the decline in sales, as well as changes in product mix. Trading cards sales, which have a higher gross margin than traditional board games and electronic games, have declined in the nine months ended September 25, 2005 and have been partially offset by higher sales of electronic games, which have lower gross margins than traditional board games or trading card games.

INTERNATIONAL
International segment net revenues remained consistent with the prior year revenues with a slight increase to $333,052 for the quarter ended September 25, 2005 from $331,554 for the quarter ended September 26, 2004. Net revenues for the nine months ended September 25, 2005 increased 4% to $721,179 from $691,480 for the nine months ended September 26, 2004. For the quarter and nine months ended September 25, 2005, International segment net revenues were positively impacted by currency translation of approximately $4,700 and $20,500, respectively, as the result of the weaker U.S. dollar. Excluding the favorable impact of foreign exchange, the decrease in local currency revenue for the quarter was primarily the result of decreases in BEYBLADE, VIDEONOW, DUEL MASTERS, FURREAL FRIENDS and ACTION MAN products, offsetting increased sales of STAR WARS products, the introduction of B'DAMAN and the reintroduction of FURBY products. The increase for the nine month period represents increased shipments of STAR WARS, FURBY, LITTLEST PET SHOP and B'DAMAN products partly offset by decreased sales of BEYBLADE, MAGIC: THE GATHERING, FURREAL FRIENDS, and ACTION MAN products, as well as decreases in other licensed products, primarily SHREK and DISNEY products.

The International segment had an operating profit of $44,993 for the quarter ended September 25, 2005, compared to an operating profit of $48,766 for the quarter ended September 26, 2004. Operating profit for the nine months ended September 25, 2005 decreased to $40,824 from $41,490 for the nine months ended September 26, 2004. Although revenues were positively impacted by the weaker U.S. dollar, as noted above, operating expenses were also impacted, with a resulting net favorable translation impact to International operating profit of approximately $700 for the quarter and an unfavorable translation impact of $400 for the nine months ended September 25, 2005. Absent the impact of foreign exchange rates, the decline in operating profit for the quarter was the result of higher royalty and amortization expense as a result of increased sales of STAR WARS products, which offset increased gross margins from higher revenues. The slight decrease in the nine-month period was the result of higher royalty, amort ization and advertising expense offsetting increased gross margins from the higher revenues.

GROSS PROFIT
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The Company's gross profit margin decreased to 55.0% for the quarter ended September 25, 2005 from 55.3% for the quarter ended September 26, 2004 while gross margin for the nine months ended September 25, 2005 increased to 58.5% from 57.8% in the comparable period of 2004. The decrease for the quarter reflects a change in product mix as increased sales of electronic toys and games, which have higher product costs, caused a decrease in overall gross margin. The decrease from this was partially offset by increased sales of STAR WARS products, which carry a higher gross margin. Gross profit margin for the nine months ended September 25, 2005 was also adversely effected by decreased sales of trading card games, which carry a high gross margin. Although the STAR WARS products carry a higher gross margin, the increased gross margin is largely offset by higher royalty and amortization expense associated with these products. The Company aggressively monitors its levels of inventory, attempting to avoid unneces sary expenditures of cash and potential charges related to obsolescence. The Company's failure to accurately predict and respond to consumer demand could result in overproduction of less popular items, which could result in higher obsolescence costs, causing a reduction in gross profit.

(Thousands of Dollars Except Per Share Data)

While estimates of future costs are included in the Company's pricing of its products, other factors, including foreign currency exchange rate fluctuations or a continued significant increase in the price of commodities such as oil based plastic resins, paper and cardboard, could have a negative impact on the Company's gross margins.

EXPENSES
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The Company's operating expenses, stated as percentages of net revenues, are illustrated below for the quarters and nine-month periods ended September 25, 2005 and September 26, 2004.

	Quarter		Nine Months	
	2005	2004	2005	2004
Amortization	2.9%	1.8%	4.0%	2.5%
Royalties	6.7	6.9	7.8	6.8
Research and product development	4.0	4.1	5.3	5.6
Advertising	12.0	13.7	11.8	12.6
Selling, distribution and administration	16.4	16.0	21.8	22.1

For the quarter and nine-month period, amortization expense increased in dollars and as a percentage of net revenues. Amortization expense of $28,167, or 2.9% of net revenues in the third quarter of 2005, compared with $16,888 or 1.8% of net revenues in the third quarter of 2004. For the nine months ended September 25, 2005, amortization expense was $79,852, or 4.0% of net revenues compared with $47,881, or 2.5% of net revenues for the nine months ended September 26, 2004. A portion of amortization expense relates to licensing rights and is based on expected sales of products related to those licensing rights. The increase in 2005 is primarily due to increased amortization of STAR WARS property rights due to the increased sales of STAR WARS products in 2005.

Royalty expense for the quarter ended September 25, 2005 increased to $66,539, or 6.7% of net revenues from $65,087, or 6.9% of net revenues in the third quarter of 2004. Royalty expense for the nine months ended September 25, 2005 increased to $158,206, or 7.8% of net revenues from $131,747, or 6.8% of net revenues for the nine months ended September 26, 2004. The increase in royalty expense in dollars was primarily due to increased sales of STAR WARS products. For the quarter, this increase was partially offset by decreased sales of other licensed products, including BEYBLADE, SHREK and DISNEY products.

Research and product development expenses for the quarter ended September 25, 2005 remained consistent with the prior year at $39,387, or 4.0% of net revenues from $39,257 or 4.1% of net revenues for the quarter ended September 26, 2004. These expenses decreased slightly to $106,942 or 5.3% of net revenues for the nine months ended September 25, 2005 from $108,636 or 5.6% of net revenues for the nine months ended September 26, 2004. The decrease as a percentage of revenues is primarily due to the Company’s realignment of its product development in the fourth quarter of 2004 which resulted in a greater amount of U.S. Toys product development being moved outside of the U.S. and which resulted in a streamlining of the U.S. Toys workforce. Investment in research and product development costs is an important component to the Company's strategy to grow core brands and to create new and innovative toy and game products.

For the quarter, advertising expense decreased to $118,845 or 12.0% of net revenues in 2005 from $129,403 or 13.7% of net revenues in 2004. For the nine months ended September 25, 2005, advertising expense decreased to $238,009 or 11.8% of net revenues from $243,751 or 12.6% of net revenues for the nine months ended September 26, 2004. The decrease in advertising in the quarter and nine-month periods was due to increased sales of STAR WARS products in 2005, which do not require the amount of advertising as the Company's internally developed products. The Company continues to focus on marketing as a means to increase and sustain awareness of its core brands, as well as to introduce new products.

For the quarter ended September 25, 2005, the Company's selling, distribution and administration expenses increased to $162,061 or 16.4% of net revenues from $151,179 or 16.0% for the quarter ended September 26, 2004. For the nine months ended September 25, 2005, these expenses increased in dollars to $439,921 from $429,005 in 2004, but decreased as a percentage of net revenues to 21.8% of net revenues in 2005, compared to 22.1% of net revenues in 2004. The increase in dollars for the quarter primarily reflects increased warehousing costs as well as increased bonus accruals based on the Company's performance.

NONOPERATING (INCOME) EXPENSE
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Interest expense for the third quarter of 2005 was $7,816 compared with $8,257 in the third quarter of 2004. For the nine months ended September 25, 2005, interest expense decreased to $23,196 from $24,488 in 2004. For the quarter and nine months ended September 25, 2005, decreases resulting from lower levels of debt were partially offset by increased interest expense as the result of higher interest rates. The decrease in interest expense as the result of lower levels of debt reflects the Company's strategy to reduce its long-term debt. In November 2005, the Company has $71,970 of 5.6% long-term debt coming due which it intends to repay using cash from operations.

Other (income) expense, net, amounted to $(5,864) for the third quarter of 2005, which compares to ($5,513) for the quarter ended September 26, 2004. For the nine-month periods, other (income) expense, net was $(22,049) in 2005 compared to $(15,606) in 2004. The increase in each of the periods for 2005 is due to higher interest and dividend income as the result of the higher balances of invested cash. The nine-month period in 2005 also includes interest income of $4,140 related to an IRS tax settlement.

Other income for the third quarter and nine months ended September 25, 2005 includes non-cash income of $570 and $1,330, respectively, related to the decrease in the fair value of certain warrants required to be classified as a liability. These amounts compare to non-cash income of $5,150 and $15,370 for the quarter and nine months ended September 26,2004, respectively. These warrants are required to be adjusted to their fair value each quarter through earnings. The fair value of these warrants is primarily affected by the Company's stock price, but is also affected by the Company's stock price volatility, dividends, and the risk-free interest rates. Assuming the Company's stock volatility, dividend payments, and the risk-free interest rates remain constant, the fair value of the warrants would increase and the Company would recognize a charge to earnings if the price of the Company's stock increases.

If the price of the Company's stock decreases and the Company's stock volatility, dividend payments, and the risk-free interest rates remain constant, the fair value of the warrants will decrease and the Company will recognize income. Based on a hypothetical increase in the Company's stock price to $21.00 per share at September 25, 2005 from its actual price of $20.27 per share on that date, the Company would have recognized a non-cash charge to earnings of approximately $4,450 and $3,700, rather than non-cash income of $570 and $1,330, for the quarter and nine months ended September 25, 2005, respectively, to adjust the warrants to their fair value.

INCOME TAXES
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Income tax expense as a percentage of pretax earnings in the third quarter of 2005 was 27.1%, and for the nine months was 24.4%, compared to 25.7% and 24.2% in the comparable periods of 2004.

Income tax expense for the nine months ended September 25, 2005 has been reduced by approximately $4 million due to an Internal Revenue Service examination of tax years ended in December 2001 completed in the second quarter of 2005.

Absent the effect of the adjustment of certain warrants to their fair value as described above, which has no tax effect, and, in the case of the nine months tax rate, absent the $4 million tax adjustment described above, both the 2005 third quarter tax rate and the nine months tax rate would have been 27.2%.

The income tax rate for the full year 2004 was 24.6% and, excluding the effect of the adjustment of the above warrants to their fair value, would have been 25.9%. The increase to 27.2% for the first nine months of 2005 from 25.9% for the full year 2004 is primarily due to the expected increase in operating profits in jurisdictions with higher tax rates.

OTHER INFORMATION
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Typically, due to the seasonal nature of its business, the Company expects the second half of the year and within that half, the fourth quarter, to be more significant to its overall business for the full year. The Company expects that this concentration will continue, particularly as more of its business shifts to customers with order patterns concentrated in the second half of the year. Although this concentration will not be as pronounced in 2005 as other years due to the volume of STAR WARS products sold in the first half in connection with the theatrical release of STAR WARS EPISODE III: REVENGE OF THE SITH in May of 2005, the Company still expects a significant amount of its sales to occur in the second half and within that half, the fourth quarter. In 2005, as a result of a change in customer buying patterns, the Company expects an increasing concentration of sales in its Games segment in the second half, and in particular, the fourth quarter. The concentration of sales in the second half of the year and, specifically, the fourth quarter increases the risk of (a) underproduction of popular items, (b) overproduction of less popular items, and (c) failure to achieve tight and compressed shipping schedules. The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies, inventory levels, policies of retailers and differences in overall economic conditions.

The strategy of larger mass market retailers has been to maintain lower inventories throughout the year and purchase a greater percentage of product within or close to the fourth quarter holiday consumer selling season, which includes Christmas. Quick response inventory management practices now being used result in more orders being placed for immediate delivery and fewer orders being placed well in advance of shipment. Consequently, unshipped orders on any date in a given year are not necessarily indicative of future sales. At September 25, 2005 and September 26, 2004, the Company's unshipped orders were approximately $461,000 and $491,000, respectively. To the extent that retailers do not sell as much of their year-end inventory purchases during the holiday selling season as they had anticipated, their demand for additional product earlier in the following fiscal year may be curtailed, thus negatively impacting the Company's revenues. In addition, the bankruptcy, restructuring, or other lack of success of one of the Company's significant retailers could negatively impact the Company's future revenues.

Hasbro uses the intrinsic-value method of accounting for stock options granted to employees. As required by the Company's existing stock plans, stock options are granted at, or above, the fair market value of the Company's stock, and, accordingly, no compensation expense is recognized for these grants in the consolidated statement of operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. On December 16, 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123(R)”), which amends SFAS No. 123, “Accounting for Stock-Based Compensation” and SFAS 95 “Statement of Cash Flows”. SFAS No. 123(R) requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in its consol idated financial statements. In addition, the adoption of SFAS No. 123(R) requires additional accounting and disclosure related to the income tax and cash flow effects resulting from share-based payment arrangements. In April 2005, the Securities and Exchange Commission delayed the implementation of SFAS 123(R) until the first fiscal year beginning after June 15, 2005. SFAS No. 123(R) will be effective for the Company as of December 26, 2005, the first day of the 2006 fiscal year. The Company may adopt SFAS 123(R) on a retrospective basis, which requires restatement of prior year financial statements or a prospective basis, which requires only recording amounts in fiscal periods subsequent to adoption. The Company has not yet determined the method of adoption of SFAS No. 123(R). Based on the current options outstanding, the Company's 2006 pretax expense for those options is expected to be between $16,000 and $17,000. This amount may increase if any options are granted in 2006.< /P>

On October 22, 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The Act creates a one-time incentive for U.S. corporations to repatriate undistributed earnings from their international subsidiaries by providing an 85% dividends-received deduction for certain international earnings. The deduction is available to corporations during the tax year that includes October 22, 2004 or in the immediately subsequent tax year. The Company is in the process of evaluating whether it will repatriate international earnings under the provisions of the Act. The Company expects to complete its evaluation of the effects of the repatriation provision during the fourth quarter. The range of possible amounts the Company is considering for repatriation under this provision is between zero and $500,000. The related potential range of income tax under the law as currently written is between zero and app roximately $40,000.

On September 9, 2005, the Company purchased the assets and assumed certain liabilities of Wrebbit Inc., a Montreal-based developer and manufacturer of innovative puzzles. The purchase price, subject to adjustment, was $14,109. Based on a preliminary allocation of the purchase price, property rights related to acquired product lines of approximately $11,500 were recorded in connection with this acquisition. No goodwill was recorded as a result of this acquisition.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. The Company funds its operations and liquidity needs primarily through cash flows from operations, as well as utilizing, when needed, proceeds from its accounts receivable securitization program and borrowings under its secured and unsecured credit facilities. During the remainder of 2005 and 2006, the Company expects to continue to fund its working capital needs primarily through operations and, when needed, using proceeds from the accounts receivable securitization program and borrowings under its available lines of credit. Unforeseen circumstances in the toy or game industry, such as softness in the retail environment or unanticipated changes in consumer preferences could result in a significant decline in revenues and operating results of the Company, which could result in the Company being in non-compliance with covenants under its revolving credit facility and/or receivable securitization program. Non-complia nce with its debt covenants could result in the Company being unable to utilize borrowings under its revolving credit facility and other bank lines, a circumstance which potentially could occur when operating shortfalls would most likely require supplementary borrowings to enable the Company to continue to fund its operations. Also, non-compliance with covenants under its accounts receivable securitization program could result in the Company being unable to utilize this program. In addition, a significant deterioration in the business of a major U.S. customer could result in a decrease in eligible accounts receivable that would prevent the Company from being able to fully utilize its receivables securitization program. The Company has been and expects to be in compliance with its borrowing and securitization financial covenants during 2005.

Because of this seasonality in cash flow, management believes that on an interim basis, rather than discussing only its cash flows, a better understanding of its liquidity and capital resources can be obtained through a discussion of the various balance sheet categories as well. Also, as several of the major categories, including cash and cash equivalents, accounts receivable, inventories and short-term borrowings, fluctuate significantly from quarter to quarter, again due to the seasonality of its business, management believes that a comparison to the comparable period in the prior year is generally more meaningful than a comparison to the prior quarter or prior year-end.

Cash flows utilized by operating activities were $4,564 for the nine months ended September 25, 2005 compared to $93,739 for the nine months ended September 26, 2004. Although net earnings for the nine months ended September 25, 2005 of $117,804 were consistent with net earnings $114,058 for the respective period in 2004, operating expenses in 2005 included an increased amount of non-cash expenses, such as amortization expense and utilization of prepaid royalties, which resulted in a decrease in cash utilized by operations in 2005. Partially offsetting the utilization of previously paid amounts was a $35,000 advance royalty payment made in connection with the release of STAR WARS EPISODE III: REVENGE OF THE SITH. Accounts receivable were $681,469 at September 25, 2005 compared to $697,430 at September 26, 2004. This decrease is primarily due to improved collections in the third quarter of 2005 as well as increased utilization of the s ecuritization facility. Days sales outstanding decreased to 62 days from 66 days in 2004.

Prepaid expenses were $99,386 at September 25, 2005 compared to $147,985 at September 26, 2004. The decrease largely resulted from the utilization of prepaid royalties, primarily STAR WARS royalties. Inventories increased to $330,779 at September 25, 2005 from $317,120 at September 26, 2004 in anticipation of higher sales in the fourth quarter of 2005. Accounts payable and accrued expenses increased slightly to $828,775 at September 25, 2005 from $824,296 at September 26, 2004. Increased accrued income taxes as the result of increased earnings in jurisdictions with higher rates were mostly offset by decreased accrued royalties reflecting decreases in sales of BEYBLADE and SHREK products.

Collectively, property, plant and equipment and other assets decreased $50,991 from the comparable period in the prior year. The decrease is partially due to the sale of the Company's manufacturing facility in Spain in the second quarter of 2005. The decrease in other intangibles to $635,166 at September 25, 2005 from $664,452 at September 26, 2004 reflects amortization, including increased amortization of the STAR WARS property rights as the result of increased sales of related products. The effect of amortization was partially offset by the Company's reacquiring of its digital gaming rights for all of its owned or controlled properties that it had originally licensed to Infogrames Entertainment SA in connection with the sale of its interactive business in December 2000. The Company paid $65,000 in cash to reacquire these rights, which were recorded to other intangibles. Also, as noted above, the Company acquired the net assets of Wrebbit, Inc. in September 2005, which resulted in $11,500 of property rights being recorded. The increase in other long-term assets was the result of a royalty advance in the second quarter of 2005 of $35,000 in connection with the theatrical release of STAR WARS EPISODE III: REVENGE OF THE SITH. This advance was recorded to other long-term assets and was offset by reclassifications to prepaid expenses as the result of the higher utilization of these royalties resulting from the theatrical release.

In May 2005 the Company's Board of Directors authorized the repurchase of up to $350 million in common stock. Purchases of the Company's common stock may be made from time to time, subject to market conditions and may be on the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the authorization and the timing, actual number, and value of shares that are repurchased will depend on a number of factors, including the price of the Company's common stock. This authorization replaces all prior authorizations. In the third quarter of 2005 and the nine months ended September 25, 2005, the Company repurchased 1,168,300 and 1,528,300 shares, respectively, at an average price of $20.89 and $20.76, respectively. The total cost of these repurchases, including transaction costs, was $24,436 and $31,777, respectively.

Net borrowings (short-term borrowings, current portion of long-term debt, and long-term debt less cash and cash equivalents) decreased to $44,644 at September 25, 2005 from $345,034 at September 26, 2004. This reflects an increase in cash of $265,410 reflecting the Company's ability to generate cash from operations. In addition, the Company utilized the proceeds from the sale of certain facilities, primarily its former manufacturing facility in Spain, to repay associated long-term debt in the amount of $21,242.

The Company has an amended and restated credit agreement, which provides it with an unsecured revolving credit facility of $350,000, maturing in March 2007. During the first quarter of 2005, the Company entered into an amendment of its bank agreement, which reduced the interest rate margin and commitment fees on certain borrowings, eliminated the provisions that, under some circumstances, provided lenders with security interests in certain of the Company's assets, and eliminated the $100,000 step down of available funds ($50,000 in both March and November 2005). The amendment also increased the Company's flexibility to raise dividends and repurchase common stock, provided it maintains a debt to capitalization ratio at or below 30%, and increased the Company's acquisition capacity from $100,000 to $400,000 per annum, cumulative. Under the credit agreement, the Company is not required to maintain compensating balances. The agreement also contains certain restrictive c ovenants setting forth minimum coverage requirements, maximum leverage, and a number of other limitations, including restrictions with respect to capital expenditures and investments. The Company was in compliance with all covenants as of and for the nine months ended September 25, 2005. The Company had no borrowings outstanding under its committed revolving credit facility at September 25, 2005. The Company also has other uncommitted lines from various banks, of which approximately $33,186 was utilized at September 25, 2005. Amounts available and unused under the committed line at September 25, 2005 were approximately $345,607. The Company believes that funds provided by operations and amounts available for borrowing from time to time under these lines of credit are adequate to meet its needs in the remainder of 2005 and 2006.

The Company is party to a three-year receivable securitization program, expiring in December 2006. Under this program, the Company sells, on an ongoing basis, substantially all of its U.S. trade accounts receivable to a bankruptcy remote special purpose entity, Hasbro Receivables Funding, LLC ("HRF"). HRF is consolidated with the Company for financial reporting purposes. The securitization program then allows HRF to sell, on a revolving basis, an undivided interest of up to $250,000 in the eligible receivables it holds to certain bank conduits. The program provides the Company with a cost-effective source of working capital and short-term financing. Based on the amount of eligible accounts receivable as of September 25, 2005, the Company had availability under this program to sell approximately $157,051, all of which was utilized.

The Company had letters of credit of approximately $23,725 and purchase commitments of $210,677 outstanding at September 25, 2005. Other contractual obligations and commercial commitments, as detailed in the Company's annual report on Form 10-K for the year ended December 26, 2004, did not materially change outside of payments made in the normal course of business with the exception of the repayment of the Spain long-term debt of $21,242 described above.

The Company has outstanding $250,000 in principal amount of senior convertible debentures due 2021. The senior convertible debentures bear interest at 2.75%, subject to an upward adjustment in the rate, with the total rate not to exceed 11%, commencing in December 2005 should the price of the Company's stock trade at or below $9.72 per share for 20 of 30 trading days preceding the fifth day prior to an interest payment date. This contingent interest feature represents a derivative instrument that is recorded on the balance sheet at its fair value, with changes in fair value recognized in the statement of operations. If the closing price of the Company's stock exceeds $23.76 for at least 20 trading days within the 30 consecutive trading day period ending on the last trading day of the calendar quarter, or upon other specified events, the debentures will be convertible at an initial conversion price of $21.60 in the next cal endar quarter. This contingent conversion feature was not met in the third quarter of 2005.

The holders of these debentures may put the notes back to Hasbro in December 2005, December 2011 and December 2016 at the original principal amount. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two, at the Company's discretion. While the Company's current intent is to settle in cash any puts exercised, there can be no guarantee that the Company will have the funds necessary to settle this obligation in cash. Due to this put option, these debentures are classified on the Company’s balance sheet in the current portion of long-term debt. Subsequent to December 1, 2005, any notes that the holders have not elected to put back to the Company will be reclassified to long-term debt.

The Company believes that cash from operations, including the securitization facility, and, if necessary, its line of credit, will allow the Company to meet these and other obligations listed. It is the Company's intent to continue to assess the desirability of using available cash from operations to reduce its outstanding long-term debt, as market conditions and the Company's revolving credit agreement and other sources of financing allow.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, management is required to make certain estimates, judgments and assumptions that it believes are reasonable based on the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include sales allowances, inventory valuation, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments and pension costs and obligations.

Sales allowances for customer promotions, discounts and returns are recorded as a reduction of revenue when the related revenue is recognized. Revenue from product sales is recognized upon passing of title to the customer, generally at the time of shipment. Revenue from product sales, less related sales allowances, is added to royalty revenue and reflected as net revenues in the consolidated statements of operations. The Company routinely commits to promotional sales allowance programs with customers. These allowances primarily relate to fixed programs, which the customer earns based on purchases of Company products during the year. Discounts are recorded as a reduction of related revenue at the time of sale. While many of the allowances are based on fixed amounts, certain of the allowances, such as the returns allowance, are based on market data, historical trends and information from customers and are therefo re subject to estimation.

Inventory is valued at the lower of cost or market. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value. Failure to accurately predict and respond to consumer demand could result in the Company underproducing popular items or overproducing less popular items. Management estimates are monitored on a quarterly basis and a further adjustment to reduce inventory to its net realizable value is recorded, as an increase to cost of sales, when deemed necessary under the lower of cost or market standard.

Goodwill and other intangible assets deemed to have indefinite lives are tested for impairment at least annually. If an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim test at that time. The impairment test begins by allocating goodwill and intangible assets to applicable reporting units. Goodwill is then tested using a two-step process that begins with an estimation of the fair value of the reporting unit using an income approach, which looks to the present value of expected future cash flows. The first step is a screen for potential impairment while the second step measures the amount of impairment if there is an indication from the first step that one exists. Intangible assets with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value, which is also calculated using an income approach. Th e Company's annual impairment test was performed in the fourth quarter of 2004 and no impairment was indicated. At September 25, 2005, the Company has goodwill and intangible assets with indefinite lives of $543,310 recorded on the balance sheet.

Intangible assets, other than those with indefinite lives, are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability of the value of these intangible assets is measured by a comparison of the assets' carrying value to the estimated future undiscounted cash flows the asset is expected to generate. If such assets were considered to be impaired, the impairment would be measured by the amount by which the carrying value of the asset exceeds its fair value based on estimated future discounted cash flows. The estimation of future cash flows requires significant judgments and estimates with respect to future revenues related to the respective asset and the future cash outlays related to those revenues. Actual revenues and related cash flows or changes in anticipated revenues and related cash flows could result in a change in this assessment and result in an impairment charge. The estimation of discounted cash flows also requires the selection of an appropriate discount rate. The use of different assumptions would increase or decrease estimated discounted cash flows and could increase or decrease the related impairment charge. Intangible assets covered under this policy were $555,027 at September 25, 2005. During the third quarter and nine months ended September 25, 2005, there were no impairment charges related to these intangible assets.

The recoverability of royalty advances and contractual obligations with respect to minimum guaranteed royalties is assessed by comparing the remaining minimum guaranty to the estimated future sales forecasts and related cash flow projections to be derived from the related product. If sales forecasts and related cash flows from the particular product do not support the recoverability of the remaining minimum guaranty or, if the Company decides to discontinue a product line with royalty advances or commitments, a charge to royalty expense to write-off the remaining minimum guaranty is required. The preparation of revenue forecasts and related cash flows for these products requires judgments and estimates. Actual revenues and related cash flows or changes in the assessment of anticipated revenues and cash flows related to these products could result in a change to the assessment of recoverability of remaining minimum gu aranteed royalties. At September 25, 2005, the Company had $151,046 of prepaid royalties, $49,955 of which are included in prepaid expenses and other current assets and $101,091, which are included in other assets.

The Company, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits using estimates for expected return on assets, expected compensation increases, and applicable discount rates. The estimates for the Company's domestic plans are established for the upcoming year at the Company's measurement date of September 30. The Company estimates expected return on assets using a weighted average rate based on historical market data for the investment classes of assets held by the plan, the allocation of plan assets among those investment classes, and the current economic environment. Based on this information, the Company's estimate of expected return on plan assets for its domestic plans is 8.75% for 2005, which is the same estimate used in 2004. A decrease in the estimate used for expected return on plan assets would increase pension expense, while an increase in this estimate would decrease pension expense.

For the Company's domestic plans, a decrease of 1% in the 2004 estimate of expected return on plan assets would have increased 2004 annual pension expense by approximately $1,700. Expected compensation increases are estimated using a combination of historical compensation increases with expected compensation increases in the Company's long-term business forecasts. Based on this analysis, the Company's estimate of expected long-term compensation increases for its domestic plans is 4.0% in 2005, which is the same estimate used in 2004. Increases in estimated compensation increases would result in higher pension expense while decreases would lower pension expense. Discount rates are selected based upon rates of return at the measurement date on high quality corporate bond investments currently available and expected to be available during the period to maturity of the pension benefits. Based on this long-term corporate bond y ield at September 30, 2004, the Company's measurement date for its pension assets and liabilities, the Company selected a discount rate for its domestic plans of 5.75% for its 2005 expense. Pension expense for the Company's domestic plans in 2004 was based on a discount rate of 6.0%. A decrease in the discount rate would result in greater pension expense while an increase in the discount rate would decrease pension expense. For the Company's domestic plans, a decrease of 1% in the Company's 2004 discount rate would have increased 2004 annual pension expense and the projected benefit obligation by approximately $3,180 and $34,300, respectively. In accordance with Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions", actual results that differ from the actuarial assumptions are accumulated and, if outside a certain corridor, amortized over future periods and, therefore generally affect recognized expense and the recorded obligation in future periods. &nb sp;Assets in the plan are valued on the basis of their fair market value on the measurement date.

FINANCIAL RISK MANAGEMENT

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily resulting from sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than twenty currencies. Results of operations are more likely to be affected by changes in the value of the U.S. dollar, Hong Kong dollar, Euro, British pound, Canadian dollar and Mexican peso and, to a lesser extent, currencies in Latin American and Asia Pacific countries.

To manage this exposure, the Company has hedged a portion of its estimated foreign currency transactions using forward foreign exchange contracts and purchased foreign currency options.

The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in currencies other than the U.S. dollar. The Company believes, however, that the on-going risk on the net exposure should not be material to its financial condition. In addition, the Company's revenues and costs have been, and will likely continue to be, affected by changes in foreign currency rates. From time to time, affiliates of the Company may make or receive intercompany loans in currencies other than their functional currency. The Company manages this exposure at the time the loan is made by using foreign exchange contracts. Other than as set forth above, the Company does not hedge foreign currency exposures. The Company reflects all derivatives at their fair value as an asset or liability on the balance sheet. The Company does not speculate in foreign currency e xchange contracts.

At September 25, 2005, the Company had fixed rate long-term debt, including current portions and excluding fair value adjustments, of $599,700. Also at September 25, 2005, the Company had fixed-for-floating interest rate swaps with notional amounts of $150,000. The interest rate swaps are designed to adjust the amount of the Company's debt subject to a fixed interest rate. The interest rate swaps are matched with specific long-term debt issues and are designated and effective as hedges of the change in the fair value of the associated debt. Changes in fair value of these contracts are wholly offset in earnings by changes in the fair value of long-term debt. At September 25, 2005, these contracts had a fair value of $1,589, with $1,493 included in other assets, and the remaining $96 included in prepaid expenses and other current assets, with corresponding fair value adjustments to increase long-term debt and cur rent portion of long-term debt, respectively.

FORWARD-LOOKING STATEMENTS AND
FACTORS THAT MAY AFFECT FUTURE RESULTS

This Quarterly Report on Form 10-Q contains “forward-looking statements,” within the meaning of the Private Securities Litigation Reform Act of 1995, concerning management's expectations, goals, objectives, and similar matters. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "look forward," "may," "planned," "potential," "should," "will," and "would" or any variations of words with similar meanings, and include statements regarding the Company's strategy, expected product releases, revenues and earnings. These forward-looking statements are inherently subject to known and unknown risks and uncertainties. The Company's actual results or experience may differ materially from those expected or anticipated in the for ward-looking statements. Specific factors that might cause such a difference include, but are not limited to:

- the Company's ability to manufacture, source and ship new and continuing products in a timely manner and customers' and consumers' acceptance of those products at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs of products;
- economic and public health conditions, including factors which impact the retail market and retail demand or the Company's ability to manufacture and deliver products, higher fuel and commodity prices, higher transportation costs and potential transportation delays, currency fluctuations, government regulation and other conditions in the various markets in which the Company operates throughout the world;
- the concentration of the Company's customers;
- the Company's ability to generate sales during the fourth quarter, particularly during the relatively brief holiday season, which is the period in which the Company derives a substantial portion of its revenues;

- the inventory policies of retailers, including the concentration of the Company's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management techniques, which increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve tight and compressed shipping schedules;
- work stoppages, slowdowns or strikes, which may impact the Company's ability to manufacture or deliver product;
- concentration of manufacturing of many of the Company's products in the People's Republic of China and the associated impact to the Company of health conditions and other factors affecting social and economic activity in China or affecting the movement of people and products into and out of China, including, without limitation, the impact of tariffs or other trade restrictions being imposed upon goods manufactured in China and the impact of foreign currency exchange rates related to the Yuan;
- an adverse change in purchasing policies or the bankruptcy or other lack of success of one or more of the Company's significant retailers comprising its relatively concentrated retail customer base, which could negatively impact the Company's revenues, operating margins, or bad debt exposure;
- the impact of competition on revenues, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain employees in a competitive environment;
- the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- the risk that the market appeal of the Company's licensed products will be less than expected or that the sales revenue generated by those products will be insufficient to cover the minimum guaranteed royalties;
- the Company's ability to obtain and enforce intellectual property rights both in the United States and other worldwide territories;
- the risk that any litigation or arbitration disputes or regulatory investigations could entail significant expense and result in significant fines or other harm to the Company's business;
- the Company's ability to obtain external financing on terms acceptable to it in order to meet working capital needs;
- the Company's ability to generate sufficient available cash flow to service its outstanding debt;
- restrictions that the Company is subject to under its credit agreement;
- unforeseen circumstances, such as severe softness in or collapse of the retail environment that may result in a significant decline in revenues and operating results of the Company, thereby causing the Company to be in non-compliance with its debt covenants and the Company being unable to utilize borrowings under its revolving credit facility, a circumstance likely to occur when operating shortfalls would result in the Company being in the greatest need of such supplementary borrowings;
- market conditions, third party actions or approvals, the impact of competition and other factors that could delay or increase the cost of implementation of the Company's consolidation programs, or alter the Company's actions and reduce actual results;
- the risk that the Company may be subject to governmental sanctions for failure to comply with applicable regulations or to product liability suits relating to products it manufactures and distributes;
- the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income;
- other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC, such as filings on Forms 8-K, 10-Q and 10-K.

The Company undertakes no obligation to revise the forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect events or circumstances occurring after the date of the filing of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is included in Part I Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations", and is incorporated herein by reference.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness o f the design and operation of the Company's disclosure controls and procedures as of September 25, 2005. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.
There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended September 25, 2005, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Repurchases Made in the Quarter (in whole number of shares and dollars)

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 2005 6/27/05 - 7/24/05	-	-	-	$342,658,801
August 2005 7/25/05 - 8/28/05	620,800	$20.9066	620,800	$329,661,344
September 2005 8/29/05 - 9/25/05	547,500	$20.8621	547,500	$318,222,892
Total	1,168,300	$20.8858	1,168,300	$318,222,892

On May 19, 2005, the Company's Board of Directors authorized the repurchases of up to $350 million in common stock. This authorization replaced a prior authorization, dated December 6, 1999 of $500 million, which had $204.5 million remaining. Purchases of the Company's common stock may be made from time to time, subject to certain market conditions. These shares may be repurchased in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the authorization, and the timing, actual number, and value of the shares that are repurchased will depend on a number of factors, including the price of the Company's stock. The Company may suspend or discontinue the program at any time and there is no expiration date.

Item 3. Defaults Upon Senior Securities.

None.

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

None

Item 5. Other Information

None.

Item 6. Exhibits

3.1 Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.2 Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.3 Amendment to Articles of Incorporation, dated May 19, 2003. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

3.4 Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

3.5 Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

3.6 Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)

4.1 Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)

4.2 Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File No. 1-6682.)

4.3 Indenture, dated as of November 30, 2001, by and between the Company and The Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)

4.4 Third Amended and Restated Revolving Credit Agreement dated as of November 14, 2003 by and among the Company, the Banks thereto, and Fleet National Bank, as Agent for the Banks. (Incorporated by reference to Exhibit 4(d) to the Company's Annual Report on Form 10-K for the year ended December 28, 2003, File No. 1-6682.)

Item 6. Exhibits (continued)

4.5 First Amendment to the Company's Third Amended and Restated Revolving Credit Agreement dated March 11, 2005. (Incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the period ended March 27, 2005, File No. 1-6682.)

4.6 Rights Agreement, dated as of June 16, 1999, between the Company and Fleet National Bank (the Rights Agent). (Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K dated as of June 16, 1999.)

4.7 First Amendment to Rights Agreement, dated as of December 4, 2000, between the Company and the Rights Agent. (Incorporated by reference to Exhibit 4(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-6682.)

10.1 Chairmanship Agreement between the Company and Alan Hassenfeld dated August 30, 2005.

11.1 Computation of Earnings Per Common Share – Nine Months Ended September 25, 2005 and September 26, 2004.

11.2 Computation of Earnings Per Common Share - Quarters Ended September 25, 2005 and September 26, 2004.

12 Computation of Ratio of Earnings to Fixed Charges Nine Months and Quarter Ended September 25, 2005.

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HASBRO, INC.
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(Registrant)

Date: October 28, 2005

By: /s/ David D. R. Hargreaves

David D. R. Hargreaves
Senior Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

HASBRO, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended September 25, 2005

Exhibit Index

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3.6	Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)
4.1	Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
4.2	Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File No. 1-6682.)
4.3	Indenture, dated as of November 30, 2001, by and between the Company and The Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)
4.4	Third Amended and Restated Revolving Credit Agreement dated as of November 14, 2003 by and among the Company, the Banks thereto, and Fleet National Bank, as Agent for the Banks. (Incorporated by reference to Exhibit 4(d) to the Company's Annual Report on Form 10-K for the year ended December 28, 2003, File No. 1-6682.)
4.5	First Amendment to the Company's Third Amended and Restated Revolving Credit Agreement dated March 11, 2005. (Incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the period ended March 27, 2005, File No. 1-6682.)
4.6	Rights Agreement, dated as of June 16, 1999, between the Company and Fleet National Bank (the Rights Agent). (Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K dated as of June 16, 1999.)
4.7	First Amendment to Rights Agreement, dated as of December 4, 2000, between the Company and the Rights Agent. (Incorporated by reference to

	Exhibit 4(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-6682.)
10.1	Chairmanship Agreement between the Company and Alan Hassenfeld dated August 30, 2005.
11.1	Computation of Earnings Per Common Share – Nine Months Ended September 25, 2005 and September 26, 2004.
11.2	Computation of Earnings Per Common Share - Quarters Ended September 25, 2005 and September 26, 2004.
12	Computation of Ratio of Earnings to Fixed Charges - Quarter and Nine Months Ended September 25, 2005.
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.
32.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

EXHIBIT 11.1

HASBRO, INC. AND SUBSIDIARIES
Computation of Earnings Per Common Share
Nine Months Ended September 25, 2005 and September 26, 2004

(Thousands of Dollars and Shares Except Per Share Data)

	2005		2004	
	Basic	Diluted	Basic	Diluted
Net earnings	$ 117,804	117,804	114,058	114,058
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(1,330)	-	(15,370)
Interest expense on contingent convertible debentures due 2021	-	3,197	-	3,197
Adjusted net earnings	$ 117,804	119,671	114,058	101,885
Weighted average number of shares outstanding:				
Outstanding at beginning of period	177,315	177,315	175,479	175,479
Exercise of stock options and warrants:				
Actual exercise of stock options	1,338	1,338	869	869
Assumed exercise of stock options and warrants	-	2,340	-	2,488
Purchase of common stock	(267)	(267)	-	-
Liabilities potentially settleable in common stock	-	5,320	-	5,548
Contingent convertible debentures due 2021	-	11,574	-	11,574
Total	178,386	197,620	176,348	195,958
Per common share:				
Net earnings	$ 0.66	0.61	0.65	0.52

EXHIBIT 11.2

HASBRO, INC. AND SUBSIDIARIES

Computation of Earnings Per Common Share

Quarters Ended September 25, 2005 and September 26, 2004

(Thousands of Dollars and Shares Except Per Share Data)

	2005		2004	
	Basic	Diluted	Basic	Diluted
Net earnings	$ 92,063	92,063	88,687	88,687
Effect of dilutive securities:				
Change in fair value of liabilities potentially settleable in common stock	-	(570)	-	(5,150)
Interest expense on contingent convertible debentures due 2021	-	1,066	-	1,066
Adjusted net earnings	$ 92,063	92,559	88,687	84,603
Weighted average number of shares outstanding:				
Outstanding at beginning of period	178,562	178,562	176,772	176,772
Exercise of stock options and warrants:				
Actual exercise of options	755	755	113	113
Assumed exercise of options and warrants	-	2,544	-	1,730
Purchase of common stock	(386)	(386)	-	-
Liabilities potentially settleable in common stock	-	5,243	-	5,918
Contingent convertible debentures due 2021	-	11,574	-	11,574
Total	178,931	198,292	176,885	196,107
Per common share:				
Net earnings	$ 0.51	0.47	0.50	0.43

EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
Nine Months and Quarter Ended September 25, 2005

(Thousands of Dollars)

	Nine Months	Quarter
Earnings available for fixed charges:		
Net earnings	$ 117,804	$ 92,063
Add:		
Fixed charges	31,915	10,622
Income taxes	37,987	34,263
Total	$ 187,706	$ 136,948
Fixed charges:		
Interest on long-term debt	$ 20,177	6,410
Other interest charges	1,835	551
Amortization of debt expense	1,184	855
Rental expense representative of interest factor	8,719	2,806
Total	$ 31,915	10,622
Ratio of earnings to fixed charges	5.881	12.892

Exhibit 31.1

CERTIFICATION

I, Alfred J. Verrecchia, certify that:

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

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

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

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

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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

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

Date: October 28, 2005

/s/ Alfred J. Verrecchia

Alfred J. Verrecchia
President and Chief
Executive Officer

Exhibit 31.2

CERTIFICATION

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

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

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

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

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

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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

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

Date: October 28, 2005

/s/ David D.R. Hargreaves

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

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

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

1) the Company's Quarterly Report on Form 10-Q for the quarter ended September 25, 2005, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: October 28, 2005

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

Exhibit 32.2

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

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

1) the Company’s Quarterly Report on Form 10-Q for the quarter ended September 25, 2005, as filed with the Securities and Exchange Commission (the “10-Q Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Company’s 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: October 28, 2005

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

EXHIBIT 10.1

CHAIRMANSHIP AGREEMENT

This AGREEMENT (the "Agreement") is made as of the 30th day of August, 2005 (the "Effective Date"), by and between Hasbro, Inc., a Rhode Island corporation, ("Hasbro" or the "Company") and Alan G. Hassenfeld (the "Chairman").

WHEREAS, the Chairman has rendered exemplary service as an employee and an officer of the Company for over thirty-five years, including serving as the Company's Chairman since 1989; and

WHEREAS, the Company recognizes the Chairman's comprehensive knowledge of the Company and the toy industry and, as such, wishes to establish the terms of the Chairman's continued relationship with the Company after the end of his employment; and

WHEREAS, the Company's Board of Directors (the "Board") and the Chairman have mutually determined that it is in the best interest of the Company that the Chairman transition into the role of non-executive Chairman beginning on January 1, 2006; and

WHEREAS, the Board has determined that it is in the best interest of the Company and its shareholders to assure that the Chairman enter into this Agreement;

NOW, THEREFORE, in consideration of the mutual promises and conditions set forth in this Agreement, the sufficiency of which is hereby acknowledged, the Company and the Chairman agree as follows:

1. Transition. From the Effective Date through and including December 31, 2005 (the "Transition Date")(collectively, the "Transition Period"), the Chairman will continue to serve as the Company's employee, officer, and Chairman of the Board and shall continue to receive his current base salary ($1,000,000 annualized) through the Transition Period. The Chairman is also eligible to receive a bonus under the 2005 Senior Management Annual Performance Plan (the "Plan") for the Company's 2005 fiscal year, or any successor plan or replacement to the Plan, at the same time and in the same manner that Plan bonus payments are provided to other Plan participants; provided, however, that the Board's Compensation Committee retains full discretion over the actual amount of the Chairman's bonus award under the Plan, if any. & nbsp;In addition, during the Transition Period, the Chairman shall continue to participate in the employee and fringe benefit plans, programs, and arrangements maintained by the Company from time to time, to the extent the Chairman was participating in, and remains eligible to participate in, such benefit plans, programs, and arrangements from the Effective Date to the Transition Date.

2. Retirement. On the Transition Date, the Chairman will tender and the Board, on behalf of the Company, will accept the Chairman's immediate retirement as an employee of the Company and his resignation from any and all other positions that he may hold with the Company (including those with any or all of the Company's affiliates), except as a director and as Chairman of the Board. The Chairman agrees to execute all documents which may reasonably be required to effectuate his retirement as an employee and his resignation from any other positions which he may hold with the Company except as a director and as Chairman of the Board. The Chairman and the Company agree that, as of the Transition Date, all salary, bonus, and any other employee compensation otherwise payable to the Chairman will cease, and any benefits the Chairman has or might have under any Company-provided employee benefit plans, programs, or practices (including, but not limited to participation in group medical, dental and vision plans; short-term and long-term disability insurance; basic and executive life insurance; basic accidental death and dismemberment insurance; and participation in the employee assistance plan) will terminate, except as required by federal or state law, by the terms of the respective benefit plan, or as otherwise described in this Agreement. Notwithstanding anything in this Section to the contrary, nothing herein shall terminate the Chairman's vested rights to retirement benefits provided by Hasbro's retirement plans or to other retirement benefits generally made available to former Hasbro employees under other plans, programs, or arrangements.

3. Continuation of Group Health Insurance. If the Chairman is eligible for and elects continuation of coverage for retiree medical benefits under the Hasbro, Inc. Employee Benefits Plan, he shall be solely responsible for the full costs of his monthly medical insurance premium payments and any associated administrative fees. The Chairman's entitlement to retiree medical benefits under the Company's retiree medical plan shall be governed exclusively by the terms of that plan, as may be amended from time to time, and nothing in this Agreement creates any rights which supersede the terms of that plan. As of the Transition Date, the Chairman's eligibility for dental benefits under the Hasbro, Inc. Employee Benefits Plan ceases. If the Chairman is eligible for continuation of dental benefits and timely elects coverage under the Consolidated Omni bus Budget Reconciliation Act of 1985 ("COBRA"), the Chairman may continue his dental benefits for a period not to exceed that prescribed under COBRA, as applied to all retirees of the Company.

4. Appointment as Non-Employee Chairman. Contingent upon the Chairman being reelected to the Board as a non-employee director annually by shareholders, the Board shall appoint the Chairman as its non-employee Chairman

for an initial three (3) year term commencing on January 1, 2006 (the “Commencement Date”) and ending on December 31, 2008, which term shall be renewed automatically for periods of one (1) year commencing on the third anniversary of the Commencement Date and on each subsequent anniversary thereafter, unless either the Chairman or the Board gives written notice to the other not less than six (6) months prior to the end of the then-current term, and unless such term is terminated earlier pursuant to Section 8 below (such time period is hereinafter referred to as the “Chairmanship Period”). During the Chairmanship Period, the Chai rman shall provide leadership to the Board by, among other things, working with the Chief Executive Officer, the Presiding Director and the Corporate Secretary to set Board calendars, prepare agendas for Board meetings, ensure proper flow of information to Board members, facilitate effective operation of Board and Committee work, help promote Board succession planning and the recruitment and orientation of new directors, address issues of director performance, assist in consideration and Board adoption of the Company’s strategic plan and annual operating plans, and help promote senior management succession planning. In addition, the Chairman will assist the Company’s Chief Executive Officer by advising on Board-related issues, helping to develop programs and actions to reinforce Hasbro’s core values, providing leadership in the development of the Company’s corporate social responsibility strategy, acting as a Company spokesperson on issues of corporate social responsibility, and rep resenting the Company at industry conferences, as appropriate. The Chairman will also assist in such other duties and responsibilities inherent in the position of non-executive Chairman as may reasonably be assigned to him by the Company’s Board of Directors. Subject to the restrictions on competition, solicitation, and disclosure of proprietary information set forth in Sections 10 and 11 below, the Chairman may work as an employee, director, or as a consultant for any person or entity during the Chairmanship Period, provided that such employment does not interfere with the performance of his duties as Chairman or constitute a conflict of interest. Such employment or consulting arrangement shall not in any way violate the provisions of this Agreement, nor in any way limit the Chairman’s right to receive the payments and benefits set forth in this Agreement.

5. Compensation. In consideration for the services to be provided during the Chairmanship Period, the Company shall provide the Chairman with a stipend of Twenty-Five Thousand Dollars ($25,000) per month ($300,000 annually) (the “Chairmanship Retainer”). In addition, during the Chairmanship Period, the Chairman shall be eligible for all applicable meeting fees, equity grants, and other benefits available to non-employee directors (other than the annual $45,000 Board retainer, which the Chairman shall not receive). During the Chairmanship Period, the Chairman shall be provided with use of an office similar in size to that of other senior executives of the Company. In addition, prior to the commencement of each fiscal year during the Chairmanship Period, the Chairman and the Chief Executive Officer shall agree on an annual budget, including the co st of administrative support, utilities, telephone, travel and entertainment, and the Chairman shall be reimbursed for all reasonable and necessary expenses incurred in connection with discharging his duties as Chairman, provided they are within the scope of the agreed annual budget. The Chairman shall be solely responsible for all state and federal income taxes, unemployment insurance and Social Security taxes on the compensation payable pursuant to this Agreement. The Company shall issue to the Chairman Form 1099 – MISC for the compensation provided to him under this Section annually, in accordance with its regular business practice. It is the express intention of the parties to this Agreement that during the Chairmanship Period, the Chairman shall not be an employee of the Company for any purposes whatsoever and, therefore, shall not be eligible for or otherwise entitled to (a) any salary, bonuses, or long-term incentive payments; or (b) any benefit programs that the Company may mak e available to its employees from time to time.

6. Retirement Benefits.

   a. As of the date of termination of the Chairman’s employment as described in Section 2 above, the Chairman shall be eligible for a retirement pension benefit payable in regular monthly installments under the Company’s qualified and non-qualified pension arrangements, with the first such installment being paid in the month following the Transition Date (subject to the Chairman’s timely submission of the retirement pension benefits documentation required by the Company) and the last such installment being paid in the month in which the Chairman dies. The annual pension benefit payable to the Chairman in a single-life annuity (the “Retirement Benefits”) will equal Eight Hundred and Fourteen Thousand Five Hundred Dollars ($814,500) per year from the first month following the Transition Date through the month in which the Chairman turns age sixty-five (65), and Seven Hundred and Ninety-Six Thousand Eight Hundred Dollars ($796,800) thereafter. The amounts payable under the preceding sentence shall be reduced by (a) the annual lifetime benefits (straight life annuity) payable under the Hasbro, Inc. Pension Plan (the “Pension Plan”) and (b) the annual excess pension benefits payable under the Hasbro, Inc. Supplemental Benefit Retirement Plan (the “Supplemental Benefit Plan”) both of which shall be payable by the Company pursuant to the respective terms of those plans.

   b. Any benefits pursuant to this Section will be payable in an actuarially equivalent 100% Joint and Survivor form of pension benefit, with the Chairman’s legal spouse as of the Transition Date as beneficiary, determined using the actuarial conversion factors used for the Supplemental Benefit Plan. In the event that the commencement of any portion of the Chairman’s benefit under this section is delayed pursuant to Section 409A(a)(2)(B) of the Internal Revenue Code, the amount of such benefit that is not permitted to be paid during the six (6)month delay period shall be paid on the first date on which it may be paid, in a single lump sum cash payment, with interest credited on the unpaid amounts at the same rate, if any, as is provided in the Supplemental Benefit Plan for such purpose.

c. In the event of the Chairman's death following the Effective Date but before the Transition Date, an actuarially equivalent 100% Joint and Survivor pension benefit shall be paid to the Chairman's legal spouse commencing on the first day of the month following the Chairman's death. The amount payable under the preceding sentence shall be reduced by the Chairman's spouse's lifetime benefits payable under the Pension Plan and/or the Supplemental Benefit Plan as of the date benefits are payable under this Section.

d. Certain of the benefits provided under this Section shall be unfunded and shall be paid from the general assets of the Company. The Chairman's and/or his spouse's right to such benefits shall be no greater than the rights of an unsecured general creditor of the Company. The benefits under this Section are not assignable by the Chairman prior to receipt. In the event that the Company shall adopt a policy of funding severance or non-qualified retirement benefits that is applicable to senior executives, the benefits to the Chairman will be funded in accordance with such policy.

7. Outstanding Stock Options. By virtue of the Chairman's continued service to the Company as a non-employee director, the currently outstanding options previously granted to him pursuant to the Company's 1992 Stock Incentive Performance Plan, the 1995 Stock Incentive Performance Plan, and the 2003 Stock Incentive Performance Plan will continue to vest in accordance with their terms during the Chairmanship Period. Nothing in the preceding sentence is intended to extend the expiration date for any of the outstanding options, and to the extent the stated expiration date for any such outstanding options occurs while the Chairman is still a non-employee director, such applicable options would expire in the same manner that they would expire if their expiration date occurred during the Chairman's service as an employee of the Company. While clarifying that the Chairman's service as a non-employee director has been interpreted by the Company's Compensation and Stock Option Committee to result in continued vesting of the Chairman's outstanding stock options during the term of such service, and that the date the Chairman ceases to be a non-employee director of the Company will constitute his retirement date under the outstanding stock option plans, this Agreement is not intended to change in any way the terms of any options previously granted to the Chairman. The Chairman understands that the provisions of this Section may adversely affect the tax treatment of the options referred to herein under Section 422 of the Internal Revenue Code of 1986, as amended.

8. Termination.

a. Termination Due to Death. The Transition Period and the Chairmanship Period shall terminate immediately upon the death of the Chairman. In the event termination due to the Chairman's death occurs, the Chairman's estate shall not be entitled to any further payments under Section 5 of this Agreement, but his legal spouse shall be entitled to the pension benefits described in Section 6 above.

b. Termination Due to Disability. The Transition Period and the Chairmanship Period shall terminate immediately upon the Disability of the Chairman. In the event termination due to the Chairman's Disability occurs, the Chairman shall not be entitled to any further payments under Section 5 of this Agreement, but shall receive the retiree pension benefits described in Section 6 above. As used in this Agreement, the term "Disability" shall mean the inability of the Chairman to perform the functions of his position due to a physical or mental disability, with or without reasonable accommodation as may be required by state or federal law for a period of 120 days, whether or not consecutive, during a rolling one-year period of the Chairman's retention by the Company. A determination of Disability shall be made by a physician chosen by both the Chairman and the Company, provided that if the Chairman and the Company cannot agree on a physician, the Chairman and the Company shall each select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties.

c. Termination Due To Failure to Be Reelected. The Transition Period and the Chairmanship Period shall terminate immediately upon the failure of the Chairman to secure reelection to the Board by shareholders as a non-employee director. In the event termination under this Section occurs, the Chairman shall not be entitled to any further payments under Section 5 of this Agreement, but shall receive the retiree pension benefits described in Section 6 above.

d. Termination by the Board for Cause. For purposes of this Agreement, termination by the Board for "Cause" shall mean termination of the Chairman's position by the Board for any of the following reasons: (a) material failure by the Chairman to perform his duties for the Board or for the Company's Chief Executive Officer, which failure continues, in the reasonable judgment of the Board, after written notice to the Chairman by the Board; (b) misconduct materially and demonstrably injurious to the Company; (c) a conviction of a felony; (d) fraud or embezzlement of Company assets; or (e) a material breach of any of the terms of this Agreement including, but not limited to, a breach of the restrictions in Sections 9, 10 and 11 below. In the event termination under this subsection occurs, the Chairman shall not be entitled to any further payments unde r Section 5 of this Agreement following the effective date of his termination for Cause. In addition, the Chairman shall not be entitled to the retiree pension benefits described in Section 6 above, but shall only be entitled to amounts payable pursuant to the express terms of the Pension Plan and the Supplemental Benefits Plan.

e. Termination by the Board without Cause. Termination by the Board without Cause shall mean the Board's removal of the Chairman from his position for any reason other than as provided in sub-sections (a), (b) and

(d) of this Section 8, including, without limitation, cessation of services as Chairman in connection with the merger of the Company into another entity. In the event the Chairman is removed from his position during the Chairmanship period without Cause, the Company will continue to provide the Chairman with the remaining Chairmanship Retainer as otherwise provided for under this Agreement, and the retiree pension benefits described in Section 6 above.

f. Termination by the Chairman. In the event the Chairman chooses to resign his position as a non-executive director during the Chairmanship Period, he shall provide thirty (30) days' advance written notice to the Company. In such event, the Chairman shall not be entitled to any further payments and benefits under Section 5 of this Agreement following the effective date of his resignation. The Company shall continue to provide the Chairman with the retiree pension benefits described in Section 6 above.

9. Non-Disparagement. During the Transition Period, the Chairmanship Period, and at all times thereafter, the Chairman agrees that as a condition to the Company's execution of this Agreement, he shall not make any false, disparaging or derogatory statements in public or private regarding the Company and its current and former officers, directors, stockholders, agents, employees and attorneys, or regarding the Company's business affairs, business prospects and financial condition. In the event of his termination as Chairman, the Chairman agrees to direct all inquiries regarding his relationship with the Company to the Company's General Counsel.

10. Restrictive Covenants.

a. Non-Competition. In order to protect the Company's legitimate domestic and international business interests, the Chairman agrees that, in exchange for the benefits provided for in this Agreement, during the Chairmanship Period and for a period of twenty-four (24) months from the date which is the later of the cessation date of the Chairmanship Period or the last day that the Chairman serves as a member of the Hasbro Board of Directors (the "Non-Competition Period"), he shall not (i) engage in any business that is competitive to the current and planned business of the Company (including, but not limited to, any business or enterprise that develops, manufactures, markets, or sells any product that competes with any product developed, manufactured, marketed or sold, or planned to be developed, manufactured, marketed or sold, by the Company or any of its sub sidiaries) in any capacity (whether as a director, stockholder, investor, member, partner, principal, proprietor, agent, consultant, officer, employee or otherwise, except as the holder of not more than 1% of the outstanding stock of a publicly-held company) for, with respect to or on behalf of any person, corporation, partnership, firm, financial institution or other business entity (including any division or unit thereof)); or (ii) serve in any capacity (whether as a director, stockholder, investor, member, partner, principal, proprietor, agent, consultant, officer, employee or otherwise) anywhere in the world for, with respect to or on behalf of any person or entity that is engaged in any business that is competitive to the current and planned business of the Company.

b. Non-Solicitation. During the Non-Competition Period, the Chairman shall not, on his own behalf or on behalf of any other person or entity, (i) directly or indirectly solicit or induce any Company employee to leave or cease his or her employment relationship with the Company for any reason whatsoever; (ii) directly or indirectly hire or otherwise engage the services of, or assist in hiring or engaging the services of any Company employee; (iii) solicit, or permit any organization directly or indirectly controlled by him to solicit for hire any employee of the Company; or (iv) solicit business from any customer, vendor, licensor, licensee, or distributor of the Company to reduce such its business with the Company.

c. Interpretation and Acknowledgment. If any restriction set forth in this Section 10 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable. If the Chairman violates the provisions of this Section, he shall continue to be bound by the restrictions set forth herein until a period of twenty-four (24) months (counting the period before the violation commenced and after the violation has ceased) has expired without any violation of such provisions or until the Non-Competition Period has expired, whichever is longer.

11. Proprietary and Confidential Information.

(a) The Chairman agrees that all information, whether or not in writing, of a private, secret or confidential nature concerning the Company's business, business relationships or financial affairs (collectively, "Proprietary Information") is and shall be the exclusive property of the Company. By way of illustration, but not limitation, Proprietary Information may include discoveries, inventions, products, product improvements, product enhancements, processes, methods, techniques, formulas, compositions, compounds, negotiation strategies and positions, projects, developments, plans (including business and marketing plans), research data, clinical data, financial data (including sales costs, profits, pricing methods), personnel data, computer programs (including software used pursuant to a license agreement), customer and supplier lists, and contacts at or knowledge of customers or prospective customers of the Company. The Chairman will not disclose any Proprietary Information to any person or entity other than employees of the Company or members of the Board or use the same for any purposes (other than in the performance of his duties hereunder) without written approval by an officer of the Company, unless and until such Proprietary Information has become public knowledge without fault by the Chairman. It is understood that disclosure of Proprietary Information by the Chairman to a government agency or court pursuant to an order from such agency or court shall not constitute a breach of this Agreement; provided, however, that: (a) prior to disclosing such information, and to the extent consistent with applicable law, the Chairman must provide sufficient notice of any such order to the Company to allow the Company to oppose the disclosure; and (b) any such disclosure shall not otherwise alter the Chairman's obligations under this Agreement to keep such information confidential.

(b) The Chairman agrees that all files, documents, letters, memoranda, reports, records, data, sketches, drawings, models, laboratory notebooks, program listings, computer equipment or devices, computer programs or other written, photographic, or other tangible material containing Proprietary Information, whether created by the Chairman or others, which shall come into his custody or possession, shall be and are the exclusive property of the Company to be used by the Chairman only in the performance of his duties for the Company and shall not be copied or removed from the Company premises except in the pursuit of the business of the Company. All such materials or copies thereof and all tangible property of the Company in the custody or possession of the Chairman shall be delivered to the Company, upon the earlier of (i) a request by the Board or (ii) termination of the Chairmanshi p Period. After such delivery, the Chairman shall not retain any such materials or copies thereof nor any such tangible property.

(c) The Chairman agrees that his obligation not to disclose or to use information and materials of the types set forth above and his obligation to return materials and tangible property set forth in this Section also extends to such types of information, materials and tangible property of customers of the Company or suppliers to the Company or other third parties who may have disclosed or entrusted the same to the Company or to the Chairman.

12. Necessity of Restrictive Covenants. The Chairman acknowledges that the restrictions contained in Sections 10 and 11 above are necessary for the protection of the business and goodwill of the Company and considers the restrictions to be reasonable for such purpose. The Chairman agrees that any breach of Section 10 and/or 11 is likely to cause the Company substantial and irrevocable damage and therefore, in the event of any breach of such Section or Sections, the Chairman agrees that the Company, in addition to such other remedies that may be available, shall be entitled to (a) specific performance; (b) the entry of an injunction against him; and (c) other injunctive relief, as determined by a court of competent jurisdiction (a state or federal court located either in Rhode Island or in the state of the Chairman's primary residence at the time of commencement o f any such proceeding), all without the Company's posting of a bond.

13. Cooperation. For a period of five (5) years following the expiration of the Chairmanship Period, or such longer period as the Chairman and the Company may mutually agree in writing, the Chairman agrees to fully cooperate with the Company in connection with any defense of or prosecution by the Company regarding any claim, arbitral hearing, action, proceeding, litigation, or investigation in which the Chairman had either direct or indirect responsibility at any time prior to the termination of the Chairmanship Period and in which the Company may be involved as a party or non-party from time to time. The Company agrees to reimburse the Chairman for his reasonable travel expenses, if any, incurred in connection with such cooperation. This Section shall not apply in connection with any proceeding in which the Chairman or his interests are adverse to those of the Company, as determined by the Company in good faith, or if such proceeding involves, in whole or in part, the Chairman's violation of any obligation which he owed to the Company or to the Board at any time. Nothing in this Section shall prevent the Chairman from being indemnified under any directors' and officers' liability insurance to the extent to which he may be otherwise entitled.

14. Amendment. This Agreement shall be binding upon the parties and may not be abandoned, supplemented, changed or modified in any manner, orally or otherwise, except by an instrument in writing of concurrent or subsequent date signed by a duly authorized representative of the parties.

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

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

17. Entire Agreement. As of the Effective Date, this Agreement supersedes all prior agreements, written or oral, between the Chairman and the Company relating to the subject matter of this Agreement, provided, however, that the Change in Control Agreement by and between the Company and the Chairman dated as of July 5, 1989 and amended on March 10, 2000 shall remain in effect until the Transition Date. This Agreement may not be modified, changed or discharged in whole or in part, except by an agreement in writing signed by the Chairman and the Company. Nothing in this Section shall modify, cancel or supersede the Pension Plan or Supplemental Benefit Plan, each as amended, which remain in full force and effect.

18. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation or entity with which or into which the Company may be merged or which may succeed to its assets or business, provided however that the obligations of the Chairman are personal and shall not be assigned by the Chairman. The Chairman further expressly consents to be bound by the provisions of this Agreement for the benefit of the Company or any subsidiary or affiliate.

19.

Governing Law, Forum and Jurisdiction. This Agreement shall be governed by and construed as a sealed instrument under and in accordance with the laws of the State of Rhode Island (without reference to the conflicts of law provisions thereof). Any action, suit, or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Rhode Island (or, if appropriate, a federal court located within Rhode Island), and the Company and the Chairman consent to the jurisdiction of such a court; provided, however, that except for a proceeding to enforce Sections 10 and 11 of this Agreement, which may be commenced by the Company in any court of competent jurisdiction located either in Rhode Island or in the state in which the Chairman lives at the time of commence ment of any such proceeding, the parties agree to participate in non-binding mediation, which shall be held in Providence, Rhode Island by a mediator mutually agreed upon by the parties.

20. Release of Claims. In exchange for the benefits provided in this Agreement, the Chairman agrees to the provisions of this Section 20 and further agrees to timely execute on the Transition Date a release of claims in the form attached to this Agreement as Exhibit A as a condition of receiving the benefits provided in Sections 4 and 5 above. The Chairman hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company and its current and former officers, directors, stockholders, agents, employees, attorneys, corporate affiliates, and subsidiaries (collectively, the "Released Parties"), from any and all claims, charges, complaints, suits, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, o bligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which he ever had or now has against the Released Parties including, but not limited to, any and all claims arising out of his status as an officer, director, and shareholder of the Company, any and all claims arising out of his employment with or separation from the Company, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq., the Massachusetts Fair Employment Practices Act, M.G.L. c.151B, §1 et seq.; the Massachusetts Civil Rights Act, M.G.L. c. 12 §§ 11H and 11I; the Massachusetts Equal Rights Act, M.G.L. c. 93 § 102 an d M.G.L. c. 214, § 1C; the Massachusetts Labor and Industries Act, M.G.L. c. 149, § 1 et seq.; the Massachusetts Privacy Act, M.G.L. c. 214, § 1B, the Rhode Island Fair Employment Practices Act, R.I. Gen. Laws § 28-5-1 et seq., and all employment discrimination claims under similar applicable federal and state statutes; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq. and the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; and any claim or damage arising out of the Chairman's employment with and retention by or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provi ded, however, that nothing in this Section (i) constitutes a waiver of any vested benefit, if any, under any and all employee benefit plans of the Company, including the Pension Plan and the Supplemental Benefit Retirement Plan; (ii) affects the Chairman's right to any funds being held for the Chairman's benefit or in the Chairman's name with any Company deferred compensation plan; (iii) affects the Chairman's eligibility for indemnification in accordance with the Company's Articles of Association or corporate by-laws or under applicable law; or (iv) prevents the Chairman from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that he acknowledges that he may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

21. Acknowledgements. The Chairman acknowledges that he has been given twenty-one (21) days to consider this Agreement and that the Company advised him to consult with an attorney of his choosing prior to signing this Agreement. Further, the Chairman acknowledges that the Company informed him that he may revoke his assent to this Agreement for a period of seven (7) days after the execution of this Agreement, and the Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. The Chairman understands and agrees that, by entering into this Agreement, he is waiving any and all rights or claims he might have under the Age Discrimination In Employment Act, as amended by the Older Workers Benefit Protection Act, and that he has received consideration beyond that to which he was previously entitled.

22. Voluntary Assent. The Chairman 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 Chairman states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. The Chairman further states and represents that he has carefully read this Agreement, understands its contents, freely and voluntarily assents to all of its terms and conditions, and signs his name to this Agreement as his own free act.

23. Subsequent Agreements. The Chairman agrees to execute such further agreements and instruments as the Company shall reasonably request in order to effectuate the provisions of this Agreement.

24. Captions. The captions of the Sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any Section of this Agreement.

25. Counterparts. This Agreement may be executed in two (2) signature counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same instrument.

26.

Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party at the address designated herein, or at such other address or addresses as either party shall designate to the other in writing in accordance with this Section 6.11. Notice to the Company shall be addressed to: Barry Nagler, General Counsel and Senior Vice President, Hasbro, Inc., 1011 Newport Avenue, Pawtucket, RI 02861-2500 and Neil Jacobs, Esq., Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, MA 02109. Notice to the Chairman shall be addressed to: Alan G. Hassenfeld, 40 Chestnut Street, Boston, MA 02108-3507 and Stuart M. Cable, Goodwin Proctor LLP, Exchange Plac e, 53 State Street, Boston, MA 02109-2881.

WITNESS our hands and seals:

HASBRO, INC.	ALAN G. HASSENFELD
By:/s/ Alfred J. Verrecchia Alfred J. Verrecchia Chief Executive Officer	/s/ Alan G. Hassenfeld
Date: August 30, 2005	Date: August 30, 2005

EXHIBIT A: RELEASE AGREEMENT

This Release Agreement is made as of the 31st day of December, 2005, by and between the Company and the Chairman.

In consideration of the mutual promises set forth herein, and sections 4 and 5 of the Chairmanship Agreement between the parties, the Chairman hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company and its current and former officers, directors, stockholders, agents, employees, attorneys, corporate affiliates, and subsidiaries (collectively, the “Released Parties”), from any and all claims, charges, complaints, suits, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys’ fees and costs), of every kind and nature which he ever had or now has against the Released Parties including, but not limited to, any and all claims arising out of his status as an officer, director, and shareholder of the Company, any and all claims arising out of his employment with or separation from the Company, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq., the Massachusetts Fair Employment Practices Act, M.G.L. c.151B, §1 et seq.; the Massachusetts Civil Rights Act, M.G.L. c. 12 §§ 11H and 11I; the Massachusetts Equal Rights Act, M.G.L. c. 93 § 102 and M.G.L. c. 214, § 1C; the Massachusetts Labor and Industries Act, M.G.L. c. 149, § 1 et seq.; the Massachusetts Privacy Act, M.G.L. c. 214, § 1B, the Rhode Island Fair Employment Pract ices Act, R.I. Gen. Laws § 28-5-1 et seq., and all employment discrimination claims under similar applicable federal and state statutes; all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq. and the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; and any claim or damage arising out of the Chairman’s employment with and retention by or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that nothing in this Section (i) constitutes a waiver of any vested benefit, if any, under any and all employee benefit plans of the Company, including the Pension Plan and the Supplemental Benefit Retirement Plan; (ii) affects th e Chairman’s right to any funds being held for the Chairman’s benefit or in the Chairman’s name with any Company deferred compensation plan; (iii) affects the Chairman’s eligibility for indemnification in accordance with the Company’s Articles of Association or corporate by-laws or under applicable law; or (iv) prevents the Chairman from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that he acknowledges that he may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

The Chairman acknowledges that he has been given a reasonable amount of time to consider this Release Agreement, and that he has consulted with an attorney of his choosing prior to signing this Release Agreement. Further, the Chairman acknowledges that he may revoke this Release Agreement for a period of seven (7) days after its execution by delivering notice of such revocation to the Company’s General Counsel by hand or by mail, and the Release Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period.

IN WITNESS WHEREOF, I set my hand and seal to this Release Agreement as of December 31, 2005.

ALAN G. HASSENFELD

By:___________________________ Date: __________________, 2005